

FISCAL BIENNIUM 2006-2008 COMMONWEALTH BUDGET FINAL BUDGET MEMORANDUM

VOLUME II

Legislative Research Commission

June 7, 2006

This FB 2006-2008 Commonwealth Budget Final Budget Memorandum, as approved by the Legislative Research Commission pursuant to 2006 HJR 93, enumerates the changes made by the 2006 General Assembly to HB 380, the State/Executive Branch Budget Bill, and provides explanatory detail to convey the intent of their actions. This report addresses not only provisions of HB 380, but also applicable provisions of HB 557 that impact, add, or modify appropriation and revenue provisions contained in HB 380.

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**FISCAL BIENNIUM 2006-2008 COMMONWEALTH BUDGET
FINAL BUDGET MEMORANDUM**

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General Government

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FB 2006-2008 FINAL BUDGET MEMORANDUM - 2006 REGULAR SESSION OF THE GENERAL ASSEMBLY

GENERAL GOVERNMENT OPERATING BUDGET

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
TOTAL FUNDS									
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT									
Office of the Governor	10,587,300	10,587,300		9,890,900	10,122,600	231,700	9,890,900	10,204,300	313,400
Office of State Budget Director	4,870,400	4,870,400		4,514,000	4,514,000		4,570,200	4,570,200	
State Planning Fund	125,000	125,000		500,000	250,000	(250,000)	500,000	250,000	(250,000)
Homeland Security	41,140,000	41,140,000		41,140,000	41,140,000		41,140,000	41,140,000	
Department of Veterans Affairs	38,741,600	38,741,600		39,690,900	40,149,900	459,000	40,878,600	41,575,400	696,800
Governors Office of Agricultural Policy	26,057,000	53,057,000	27,000,000	22,015,600	21,015,600	(1,000,000)	23,635,100	20,635,100	(3,000,000)
Kentucky Infrastructure Authority	54,019,000	54,019,000		53,999,400	53,999,400		54,765,300	77,669,300	22,904,000
Military Affairs	136,164,500	136,164,500		97,752,000	99,163,000	1,411,000	98,109,900	99,731,900	1,622,000
Commission on Human Rights	2,141,000	2,141,000		2,136,000	2,136,000		2,166,400	2,166,400	
Commission on Women	276,400	276,400		291,800	291,800		290,600	290,600	
Governors Office for Local Development	67,261,800	67,261,800		69,323,300	71,648,300	2,325,000	69,943,200	78,537,200	8,594,000
Area Development Fund	809,700	809,700		809,700	809,700		809,700	809,700	
Local Government Economic Assistance Fund	52,131,000	52,131,000		52,535,600	52,535,600		51,593,100	51,443,100	(150,000)
Local Government Economic Development Fund	44,854,100	44,854,100		41,716,800	51,716,800	10,000,000	41,967,700	50,453,700	8,486,000
Executive Branch Ethics Commission	425,400	425,400		436,500	436,500		445,500	445,500	
Secretary of State	3,111,200	3,111,200		3,148,500	3,148,500		3,198,100	3,198,100	
Board of Elections	25,934,200	25,934,200		14,956,100	14,956,100		10,584,300	10,584,300	
Registry of Election Finance	1,460,600	1,460,600		1,547,100	1,547,100		1,571,700	1,571,700	
Attorney General	25,914,900	25,914,900		25,344,800	25,880,800	536,000	25,123,700	25,753,700	630,000
Commonwealths Attorneys	30,118,500	30,118,500		31,382,200	32,165,900	783,700	31,908,000	32,994,500	1,086,500
County Attorneys	25,777,700	25,777,700		26,745,300	27,370,700	625,400	27,239,400	28,277,800	1,038,400
Treasury	3,051,600	3,051,600		3,165,800	3,165,800		3,213,500	3,213,500	
Agriculture	28,249,400	28,249,400		28,652,200	28,687,700	35,500	28,275,300	29,967,800	1,692,500
Auditor of Public Accounts	9,652,700	9,652,700		9,127,400	9,127,400		9,125,800	9,125,800	
Personnel Board	630,600	630,600		651,500	754,500	103,000	657,500	767,100	109,600

FB 2006-2008 FINAL BUDGET MEMORANDUM - 2006 REGULAR SESSION OF THE GENERAL ASSEMBLY

GENERAL GOVERNMENT OPERATING BUDGET

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
Kentucky Retirement Systems	33,151,700	33,151,700		22,107,300	22,580,700	473,400	23,268,300	24,253,100	984,800
Boards and Commissions	18,090,400	18,090,400		18,942,400	18,942,400		19,070,000	19,070,000	
Emergency Medical Services	3,609,300	3,529,300	(80,000)	2,950,000	2,950,000		2,951,500	2,951,500	
Kentucky River Authority	1,735,200	1,735,200		5,804,800	5,804,800		1,671,600	6,393,600	4,722,000
School Facilities Construction Commission	91,537,000	91,537,000		107,589,000	107,589,000		112,973,500	117,974,500	5,001,000
Teachers Retirement System	139,413,100	139,413,100		166,735,400	166,735,400		173,684,600	193,684,600	20,000,000
ANOC-Judgments	3,200,000	200,000	(3,000,000)						
Miscellaneous Appropriations	11,542,500	11,542,500		11,417,500	3,917,500	(7,500,000)	11,417,500	3,917,500	(7,500,000)
Regular Appropriation	935,784,800	959,704,800	23,920,000	917,019,800	925,253,500	8,233,700	926,640,500	993,621,500	66,981,000

FB 2006-2008 FINAL BUDGET MEMORANDUM - 2006 REGULAR SESSION OF THE GENERAL ASSEMBLY

GENERAL GOVERNMENT OPERATING BUDGET

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
GENERAL FUND (TOBACCO)									
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT									
Governors Office of Agricultural Policy	24,541,400	24,541,400		21,469,800	17,469,800	(4,000,000)	23,065,100	20,065,100	(3,000,000)
Regular Appropriation	24,541,400	24,541,400		21,469,800	17,469,800	(4,000,000)	23,065,100	20,065,100	(3,000,000)
GENERAL FUND (TOBACCO)									
CONTINUED RESERVE SPENDING SUMMARY BY APPROPRIATION UNIT									
Governors Office of Agricultural Policy	5,252,400	(21,747,600)	(27,000,000)	2,796,500	6,796,500	4,000,000	9,508,700	12,508,700	3,000,000
Reserve Spending	5,252,400	(21,747,600)	(27,000,000)	2,796,500	6,796,500	4,000,000	9,508,700	12,508,700	3,000,000

FB 2006-2008 FINAL BUDGET MEMORANDUM - 2006 REGULAR SESSION OF THE GENERAL ASSEMBLY

GENERAL GOVERNMENT OPERATING BUDGET

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
GENERAL FUND									
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT									
Office of the Governor	9,492,700	9,492,700		9,502,700	9,734,400	231,700	9,502,700	9,816,100	313,400
Office of State Budget Director	4,433,400	4,433,400		4,433,400	4,433,400		4,433,400	4,433,400	
State Planning Fund	125,000	125,000		500,000	250,000	(250,000)	500,000	250,000	(250,000)
Homeland Security	350,000	350,000		350,000	350,000		350,000	350,000	
Department of Veterans Affairs	16,579,800	16,579,800		14,977,200	15,436,200	459,000	15,972,900	16,669,700	696,800
Governors Office of Agricultural Policy	1,000,000	28,000,000	27,000,000		3,000,000	3,000,000			
Kentucky Infrastructure Authority				2,343,500	2,343,500		2,840,100	25,744,100	22,904,000
Military Affairs	19,864,800	19,864,800		11,177,700	12,588,700	1,411,000	11,177,700	12,799,700	1,622,000
Commission on Human Rights	1,800,400	1,800,400		1,840,900	1,840,900		1,859,100	1,859,100	
Commission on Women	266,200	266,200		266,200	266,200		266,200	266,200	
Governors Office for Local Development	13,072,300	13,072,300		11,973,500	13,498,500	1,525,000	12,593,400	20,887,400	8,294,000
Area Development Fund	809,700	809,700		809,700	809,700		809,700	809,700	
Local Government Economic Assistance Fund	52,131,000	52,131,000		52,535,600	52,535,600		51,593,100	51,443,100	(150,000)
Local Government Economic Development Fund	44,854,100	44,854,100		41,716,800	51,716,800	10,000,000	41,967,700	50,453,700	8,486,000
Executive Branch Ethics Commission	423,000	423,000		435,000	435,000		444,000	444,000	
Secretary of State	2,308,300	2,308,300		2,299,300	2,299,300		2,298,100	2,298,100	
Board of Elections	3,077,100	3,077,100		4,878,500	4,878,500		4,861,900	4,861,900	
Registry of Election Finance	1,447,300	1,447,300		1,547,100	1,547,100		1,571,700	1,571,700	
Attorney General	14,090,200	14,090,200		13,990,500	14,276,500	286,000	13,733,100	14,113,100	380,000
Commonwealths Attorneys	29,618,000	29,618,000		30,968,500	31,752,200	783,700	31,471,600	32,558,100	1,086,500
County Attorneys	25,361,600	25,361,600		26,249,600	26,875,000	625,400	26,713,900	27,752,300	1,038,400
Treasury	2,008,300	2,008,300		2,171,300	2,171,300		2,210,400	2,210,400	
Agriculture	19,568,600	19,568,600		19,288,100	19,803,100	515,000	19,499,400	21,529,700	2,030,300
Auditor of Public Accounts	5,834,700	5,834,700		5,829,900	5,829,900		5,828,300	5,828,300	
Personnel Board	630,600	630,600		651,500		(651,500)	657,500		(657,500)

FB 2006-2008 FINAL BUDGET MEMORANDUM - 2006 REGULAR SESSION OF THE GENERAL ASSEMBLY

GENERAL GOVERNMENT OPERATING BUDGET

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
Kentucky Retirement Systems	11,951,700	11,951,700							
Emergency Medical Services	2,384,800	2,384,800		2,393,700	2,393,700		2,373,800	2,373,800	
Kentucky River Authority	327,000	327,000		368,200	368,200		348,800	1,978,800	1,630,000
School Facilities Construction Commission	91,537,000	91,537,000		107,589,000	107,589,000		112,973,500	117,974,500	5,001,000
Teachers Retirement System	130,799,600	130,799,600		157,326,100	157,326,100		163,323,100	183,323,100	20,000,000
ANOC-Judgments	3,200,000	200,000	(3,000,000)						
Miscellaneous Appropriations	11,542,500	11,542,500		11,417,500	3,917,500	(7,500,000)	11,417,500	3,917,500	(7,500,000)
Regular Appropriation	520,889,700	544,889,700	24,000,000	539,831,000	550,266,300	10,435,300	553,592,600	618,517,500	64,924,900

GENERAL FUND

CONTINUED RESERVE SPENDING SUMMARY BY APPROPRIATION UNIT

Board of Elections	1,100,000	1,100,000	
Agriculture	11,300	11,300	
ANOC-Judgments	211,300	211,300	
Reserve Spending	1,322,600	1,322,600	

FB 2006-2008 FINAL BUDGET MEMORANDUM - 2006 REGULAR SESSION OF THE GENERAL ASSEMBLY

GENERAL GOVERNMENT OPERATING BUDGET

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
RESTRICTED FUNDS									
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT									
Office of the Governor	1,094,600	1,094,600		388,200	388,200		388,200	388,200	
Office of State Budget Director	437,000	437,000		80,600	80,600		136,800	136,800	
Homeland Security	440,000	440,000		440,000	440,000		440,000	440,000	
Department of Veterans Affairs	22,161,800	22,161,800		24,713,700	24,713,700		24,905,700	24,905,700	
Governors Office of Agricultural Policy	515,600	515,600		545,800	545,800		570,000	570,000	
Kentucky Infrastructure Authority	3,680,000	3,680,000		1,483,300	1,483,300		1,752,600	1,752,600	
Military Affairs	24,429,200	24,429,200		24,271,500	24,271,500		24,271,500	24,271,500	
Commission on Human Rights	1,600	1,600		1,700	1,700		1,600	1,600	
Commission on Women	10,200	10,200		25,600	25,600		24,400	24,400	
Governors Office for Local Development	1,758,700	1,758,700		1,785,600	2,585,600	800,000	1,785,600	2,085,600	300,000
Executive Branch Ethics Commission	2,400	2,400		1,500	1,500		1,500	1,500	
Secretary of State	802,900	802,900		849,200	849,200		900,000	900,000	
Board of Elections	57,100	57,100		77,600	77,600		93,900	93,900	
Registry of Election Finance	13,300	13,300							
Attorney General	9,543,400	9,543,400		8,917,300	9,167,300	250,000	8,859,100	9,109,100	250,000
Commonwealths Attorneys	227,300	227,300		234,000	234,000		249,900	249,900	
County Attorneys	24,400	24,400		23,000	23,000		23,500	23,500	
Treasury	793,300	793,300		744,500	744,500		753,100	753,100	
Agriculture	4,588,700	4,588,700		5,416,700	4,937,200	(479,500)	4,886,700	4,548,900	(337,800)
Auditor of Public Accounts	3,818,000	3,818,000		3,297,500	3,297,500		3,297,500	3,297,500	
Personnel Board					754,500	754,500		767,100	767,100
Kentucky Retirement Systems	21,200,000	21,200,000		22,107,300	22,580,700	473,400	23,268,300	24,253,100	984,800
Boards and Commissions	18,090,400	18,090,400		18,942,400	18,942,400		19,070,000	19,070,000	
Emergency Medical Services	291,700	211,700	(80,000)	401,300	401,300		422,700	422,700	
Kentucky River Authority	1,408,200	1,408,200		5,436,600	5,436,600		1,322,800	4,414,800	3,092,000
Teachers Retirement System	8,613,500	8,613,500		9,409,300	9,409,300		10,361,500	10,361,500	

FB 2006-2008 FINAL BUDGET MEMORANDUM - 2006 REGULAR SESSION OF THE GENERAL ASSEMBLY**GENERAL GOVERNMENT OPERATING BUDGET**

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
Regular Appropriation	124,003,300	123,923,300	(80,000)	129,594,200	131,392,600	1,798,400	127,786,900	132,843,000	5,056,100

FB 2006-2008 FINAL BUDGET MEMORANDUM - 2006 REGULAR SESSION OF THE GENERAL ASSEMBLY

GENERAL GOVERNMENT OPERATING BUDGET

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
FEDERAL FUNDS									
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT									
Homeland Security	40,000,000	40,000,000		40,000,000	40,000,000		40,000,000	40,000,000	
Kentucky Infrastructure Authority	50,339,000	50,339,000		50,172,600	50,172,600		50,172,600	50,172,600	
Military Affairs	91,870,500	91,870,500		62,302,800	62,302,800		62,660,700	62,660,700	
Commission on Human Rights	339,000	339,000		293,400	293,400		305,700	305,700	
Governors Office for Local Development	52,430,800	52,430,800		55,564,200	55,564,200		55,564,200	55,564,200	
Board of Elections	22,800,000	22,800,000		10,000,000	10,000,000		5,628,500	5,628,500	
Attorney General	2,281,300	2,281,300		2,437,000	2,437,000		2,531,500	2,531,500	
Commonwealths Attorneys	273,200	273,200		179,700	179,700		186,500	186,500	
County Attorneys	391,700	391,700		472,700	472,700		502,000	502,000	
Agriculture	4,092,100	4,092,100		3,947,400	3,947,400		3,889,200	3,889,200	
Emergency Medical Services	932,800	932,800		155,000	155,000		155,000	155,000	
Regular Appropriation	265,750,400	265,750,400		225,524,800	225,524,800		221,595,900	221,595,900	

FB 2006-2008 FINAL BUDGET MEMORANDUM - 2006 REGULAR SESSION OF THE GENERAL ASSEMBLY

GENERAL GOVERNMENT OPERATING BUDGET

Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
ROAD FUND								
REGULAR APPROPRIATIONS SUMMARY BY APPROPRIATION UNIT								
Homeland Security	350,000	350,000	350,000	350,000		350,000	350,000	
Treasury	250,000	250,000	250,000	250,000		250,000	250,000	
Regular Appropriation	600,000	600,000	600,000	600,000		600,000	600,000	

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A - General Government

Operating Budget

Summary Totals

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund (Tobacco)	24,541,400	24,541,400		21,469,800	17,469,800	(4,000,000)	23,065,100	20,065,100	(3,000,000)
General Fund	520,889,700	544,889,700	24,000,000	539,831,000	550,266,300	10,435,300	553,592,600	618,517,500	64,924,900
Restricted Funds	124,003,300	123,923,300	(80,000)	129,594,200	131,392,600	1,798,400	127,786,900	132,843,000	5,056,100
Federal Funds	265,750,400	265,750,400		225,524,800	225,524,800		221,595,900	221,595,900	
Road Fund	600,000	600,000		600,000	600,000		600,000	600,000	
Regular Total Funds	935,784,800	959,704,800	23,920,000	917,019,800	925,253,500	8,233,700	926,640,500	993,621,500	66,981,000
Use of Continuing	6,575,000	(20,425,000)	(27,000,000)	2,796,500	6,796,500	4,000,000	9,508,700	12,508,700	3,000,000
TOTAL FUNDS	942,359,800	939,279,800	(3,080,000)	919,816,300	932,050,000	12,233,700	936,149,200	1,006,130,200	69,981,000
II. EXPENDITURE CATEGORY									
Personnel Costs	243,312,900	243,232,900	(80,000)	238,510,200	232,639,400	(5,870,800)	243,471,100	239,552,400	(3,918,700)
Operating Expenses	67,151,700	64,151,700	(3,000,000)	59,687,000	60,217,000	530,000	59,639,700	60,894,200	1,254,500
Grants, Loans, Benefits	534,160,800	534,160,800		504,824,100	521,830,800	17,006,700	513,830,700	549,730,100	35,899,400
Debt Service	92,212,700	92,212,700		108,267,900	108,562,900	295,000	114,865,600	151,338,600	36,473,000
Capital Outlay	1,092,000	1,092,000		907,100	1,179,900	272,800	842,100	1,114,900	272,800
Construction	4,429,700	4,429,700		7,620,000	7,620,000		3,500,000	3,500,000	
TOTAL EXPENDITURES	942,359,800	939,279,800	(3,080,000)	919,816,300	932,050,000	12,233,700	936,149,200	1,006,130,200	69,981,000
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund (Tobacco)	24,541,400	24,541,400		21,469,800	17,469,800	(4,000,000)	21,195,000	18,195,000	(3,000,000)
General Fund	517,788,700	544,788,700	27,000,000	505,893,200	508,911,300	3,018,100	507,215,200	509,354,100	2,138,900
Restricted Funds	122,648,300	122,648,300		121,672,600	122,497,400	824,800	122,795,300	123,976,100	1,180,800
Federal Funds	265,624,300	265,624,300		212,082,200	212,082,200		212,506,100	212,506,100	
Road Fund	600,000	600,000		600,000	600,000		600,000	600,000	
Regular Total Funds	931,202,700	958,202,700	27,000,000	861,717,800	861,560,700	(157,100)	864,311,600	864,631,300	319,700
Use of Continuing	6,575,000	(20,425,000)	(27,000,000)	2,796,500	6,796,500	4,000,000	9,508,700	12,508,700	3,000,000
TOTAL BASE LEVEL	937,777,700	937,777,700		864,514,300	868,357,200	3,842,900	873,820,300	877,140,000	3,319,700
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund (Tobacco)							1,870,100	1,870,100	
General Fund	3,101,000	101,000	(3,000,000)	33,937,800	41,355,000	7,417,200	46,377,400	109,163,400	62,786,000
Restricted Funds	1,355,000	1,275,000	(80,000)	7,921,600	8,895,200	973,600	4,991,600	8,866,900	3,875,300
Federal Funds	126,100	126,100		13,442,600	13,442,600		9,089,800	9,089,800	
TOTAL ADDITIONAL	4,582,100	1,502,100	(3,080,000)	55,302,000	63,692,800	8,390,800	62,328,900	128,990,200	66,661,300

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A - General Government

Capital Budget

Summary Totals

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE									
General Fund				1,200,000	21,845,800	20,645,800	1,400,000	11,103,000	9,703,000
Restricted Funds				31,995,000	27,475,000	(4,520,000)	3,700,000	3,200,000	(500,000)
Federal Funds				59,125,000	59,125,000		11,900,000	17,900,000	6,000,000
Bond Funds				113,000,000	499,415,000	386,415,000			
Agency Bonds					33,200,000	33,200,000			
Capital Construction Surplus				431,000	431,000		141,000	141,000	
Investment Income				1,960,000	1,960,000		1,960,000	1,960,000	
Emergency Repair Maintenance and Replacement				500,000		(500,000)			
TOTAL CAPITAL				208,211,000	643,451,800	435,240,800	19,101,000	34,304,000	15,203,000

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A - General Government

Operating Budget

Office of the Governor

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	9,492,700	9,492,700		9,502,700	9,734,400	231,700	9,502,700	9,816,100	313,400
Restricted Funds	1,094,600	1,094,600		388,200	388,200		388,200	388,200	
Regular Total Funds	10,587,300	10,587,300		9,890,900	10,122,600	231,700	9,890,900	10,204,300	313,400
Use of Continuing									
TOTAL FUNDS	10,587,300	10,587,300		9,890,900	10,122,600	231,700	9,890,900	10,204,300	313,400
II. EXPENDITURE CATEGORY									
Personnel Costs	7,138,200	7,138,200		6,678,200	6,678,200		6,680,200	6,680,200	
Operating Expenses	1,550,000	1,550,000		1,513,600	1,513,600		1,511,600	1,511,600	
Grants, Loans, Benefits	1,699,100	1,699,100		1,699,100	1,930,800	231,700	1,699,100	2,012,500	313,400
Capital Outlay	200,000	200,000							
TOTAL EXPENDITURES	10,587,300	10,587,300		9,890,900	10,122,600	231,700	9,890,900	10,204,300	313,400
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	9,492,700	9,492,700		9,502,700	9,502,700		9,502,700	9,502,700	
Restricted Funds	1,094,600	1,094,600		388,200	388,200		388,200	388,200	
Regular Total Funds	10,587,300	10,587,300		9,890,900	9,890,900		9,890,900	9,890,900	
Use of Continuing									
TOTAL BASE LEVEL	10,587,300	10,587,300		9,890,900	9,890,900		9,890,900	9,890,900	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund					231,700	231,700		313,400	313,400
TOTAL ADDITIONAL					231,700	231,700		313,400	313,400
V. ADDITIONAL BUDGET ITEMS									
1	CONT	Governors Scholars							
ABRGOVA0006	Provide additional funding for the Governors Scholars Program								
General Fund					231,700	231,700		313,400	313,400
Project Total					231,700	231,700		313,400	313,400
TOTAL ADDITIONAL					231,700	231,700		313,400	313,400

TRANSFERS TO THE GENERAL FUND

Office of the Governor

Agency Revenue Fund	5,600	5,600
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FB 2006-2008 FINAL BUDGET MEMORANDUM - 2006 REGULAR SESSION OF THE GENERAL ASSEMBLY

A - General Government

Operating Budget

Office of the Governor

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
TRANSFERS TO THE GENERAL FUND									
Other Special Revenue	25,200	25,200							
Fund									
TOTAL	30,800	30,800							

**Fiscal Biennium 2006-2008
Budget Modification Report**

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Office of the Governor

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a transfer from the Office the Governor, Restricted Funds of \$5,600 in fiscal year 2005-2006, and a transfer from Other Special Revenue Fund of \$25,200 in fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part I, Operating Budget includes a language provision that directs:

"Housing Allowance for the Lieutenant Governor: Included in the above General Fund appropriation for the Office of the Governor and Lieutenant Governor's Office, is \$2,500 monthly to include \$1,000 as a housing allowance and \$1,500 if additional duties are performed."

GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following changes:

The General Assembly provides additional General Fund support of \$231,700 in fiscal year 2006-2007, and \$313,400 in fiscal year 2007-2008 for the Governor's Scholars Program.

The General Assembly amends the State/Executive Branch Budget Bill, Part I, Operating Budget, to include the following language provisions:

"Governor's Scholars Program: Included in the above General Fund appropriation is \$2,180,100 in fiscal year 2006-2007 and \$2,297,800 in fiscal year 2007-2008 for the Governor's Scholars Program."

"Employees of Governor's Scholars Program, Inc.: For the purposes of salary and fringe benefits, employees of Governor's Scholars Program, Inc. shall be considered state employees."

**Fiscal Biennium 2006-2008
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Office of the Governor

The General Assembly modifies Part I, Operating Budget, language provision as follows:

"Housing Allowance for the Lieutenant Governor: Included in the above General Fund appropriation for the Office of the Governor and Lieutenant Governor's Office, is \$2,500 monthly as a housing allowance."

The Governor of the Commonwealth vetoes, in part, the following:

Partial Veto # 1 of HB 380 - *"I, Ernie Fletcher, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky Constitution, do hereby veto the following part:*

Page 2, lines 10 through 12, in their entirety.

I am vetoing this part as it conflicts with applicable statutes affording the Governor's Scholars Program, Inc., flexibility in the hiring and compensation of its employees."

A - General Government

Operating Budget

Office of State Budget Director

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	4,433,400	4,433,400		4,433,400	4,433,400		4,433,400	4,433,400	
Restricted Funds	437,000	437,000		80,600	80,600		136,800	136,800	
Regular Total Funds	4,870,400	4,870,400		4,514,000	4,514,000		4,570,200	4,570,200	
Use of Continuing									
TOTAL FUNDS	4,870,400	4,870,400		4,514,000	4,514,000		4,570,200	4,570,200	
II. EXPENDITURE CATEGORY									
Personnel Costs	3,830,800	3,830,800		3,742,000	3,742,000		3,818,700	3,818,700	
Operating Expenses	1,039,600	1,039,600		772,000	772,000		751,500	751,500	
TOTAL EXPENDITURES	4,870,400	4,870,400		4,514,000	4,514,000		4,570,200	4,570,200	
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	4,433,400	4,433,400		4,433,400	4,433,400		4,433,400	4,433,400	
Restricted Funds	437,000	437,000		80,600	80,600		136,800	136,800	
Regular Total Funds	4,870,400	4,870,400		4,514,000	4,514,000		4,570,200	4,570,200	
Use of Continuing									
TOTAL BASE LEVEL	4,870,400	4,870,400		4,514,000	4,514,000		4,570,200	4,570,200	
TRANSFERS TO THE GENERAL FUND									
Office of State Budget Director									
Agency Revenue Fund	75,400	75,400							
TOTAL	75,400	75,400							

**Fiscal Biennium 2006-2008
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Office of the State Budget Director

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a transfer from the Office of the State Budget Director, Restricted Funds of \$75,400 in fiscal year 2005-2006.

GENERAL ASSEMBLY

The General Assembly concurs with the Branch.

A - General Government

Operating Budget

State Planning Fund

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	125,000	125,000		500,000	250,000	(250,000)	500,000	250,000	(250,000)
Regular Total Funds	125,000	125,000		500,000	250,000	(250,000)	500,000	250,000	(250,000)
Use of Continuing									
TOTAL FUNDS	125,000	125,000		500,000	250,000	(250,000)	500,000	250,000	(250,000)
II. EXPENDITURE CATEGORY									
Grants, Loans, Benefits	125,000	125,000		500,000	250,000	(250,000)	500,000	250,000	(250,000)
TOTAL EXPENDITURES	125,000	125,000		500,000	250,000	(250,000)	500,000	250,000	(250,000)
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	125,000	125,000		125,000	125,000		125,000	100,000	(25,000)
Regular Total Funds	125,000	125,000		125,000	125,000		125,000	100,000	(25,000)
Use of Continuing									
TOTAL BASE LEVEL	125,000	125,000		125,000	125,000		125,000	100,000	(25,000)
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund				375,000	125,000	(250,000)	375,000	150,000	(225,000)
TOTAL ADDITIONAL				375,000	125,000	(250,000)	375,000	150,000	(225,000)
V. ADDITIONAL BUDGET ITEMS									
1 GB State Planning Fund									
ABR765B0001 Provide increased funding.									
General Fund				375,000	125,000	(250,000)	375,000	150,000	(225,000)
Project Total				375,000	125,000	(250,000)	375,000	150,000	(225,000)
TOTAL ADDITIONAL				375,000	125,000	(250,000)	375,000	150,000	(225,000)

**Fiscal Biennium 2006-2008
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State Planning Fund

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part I, Operating Budget includes a language provision that directs:

"Use of State Planning Fund: Included in the above appropriation is an allocation from the State Planning Fund to conduct a comprehensive review of the Kentucky Employees Retirement System and the Kentucky Teachers' Retirement System. This study may include but is not limited to the long-term financial stability of the system, employer and employee contribution rates, investment performance, and allowable investment alternatives, statutory and contractual pension and medical benefit structures, administrative regulations, and policies of the systems."

GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following changes:

The General Assembly provides General Fund support totaling \$250,000 in fiscal year 2006-2007 and \$250,000 in fiscal year 2007-2008.

The General Assembly deletes the Part I, Operating Budget, language provision relating to "Use of State Planning Fund".

A - General Government

Operating Budget

Homeland Security

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	350,000	350,000		350,000	350,000		350,000	350,000	
Restricted Funds	440,000	440,000		440,000	440,000		440,000	440,000	
Federal Funds	40,000,000	40,000,000		40,000,000	40,000,000		40,000,000	40,000,000	
Road Fund	350,000	350,000		350,000	350,000		350,000	350,000	
Regular Total Funds	41,140,000	41,140,000		41,140,000	41,140,000		41,140,000	41,140,000	
Use of Continuing									
TOTAL FUNDS	41,140,000	41,140,000		41,140,000	41,140,000		41,140,000	41,140,000	
II. EXPENDITURE CATEGORY									
Personnel Costs	1,954,100	1,954,100		1,969,900	1,969,900		1,990,700	1,990,700	
Operating Expenses	631,300	631,300		656,300	656,300		656,300	656,300	
Grants, Loans, Benefits	38,554,600	38,554,600		38,513,800	38,513,800		38,493,000	38,493,000	
TOTAL EXPENDITURES	41,140,000	41,140,000		41,140,000	41,140,000		41,140,000	41,140,000	
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	350,000	350,000		350,000	350,000		350,000	350,000	
Restricted Funds	440,000	440,000		361,100	361,100		359,000	359,000	
Federal Funds	40,000,000	40,000,000		39,690,800	39,690,800		39,672,100	39,672,100	
Road Fund	350,000	350,000		350,000	350,000		350,000	350,000	
Regular Total Funds	41,140,000	41,140,000		40,751,900	40,751,900		40,731,100	40,731,100	
Use of Continuing									
TOTAL BASE LEVEL	41,140,000	41,140,000		40,751,900	40,751,900		40,731,100	40,731,100	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
Restricted Funds				78,900	78,900		81,000	81,000	
Federal Funds				309,200	309,200		327,900	327,900	
TOTAL ADDITIONAL				388,100	388,100		408,900	408,900	
V. ADDITIONAL BUDGET ITEMS									
1 GB Homeland Security									
ABR0940002 Provide funding for five (5) vacant positions.									
Federal Funds				309,200	309,200		327,900	327,900	
Project Total				309,200	309,200		327,900	327,900	

A - General Government

Operating Budget

Homeland Security

			Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
			Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
2	NEW	Homeland Security - CMRS									
ABR0940005 Provide funding for one (1) GIS position.											
Restricted Funds						53,900	53,900		56,000	56,000	
Project Total						53,900	53,900		56,000	56,000	
3	NEW	Homeland Security - CMRS									
ABR0940007 Provide funding to purchase computer equipment and training to support the new position.											
Restricted Funds						25,000	25,000		25,000	25,000	
Project Total						25,000	25,000		25,000	25,000	
TOTAL ADDITIONAL						388,100	388,100		408,900	408,900	

TRANSFERS TO THE GENERAL FUND**Homeland Security**

Agency Revenue Fund (KRS 65.7631)	351,400	351,400
TOTAL	351,400	351,400

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Homeland Security

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a transfer from the Commercial Mobile Radio Service Emergency Telecommunications Board located in the Office of Homeland Security, Restricted Funds of \$351,400 in fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes funding in the base for the defined calculations. Additional funding for other initiatives also provided for in the base includes Federal Funds for five (5) vacant positions in the Office of Homeland Security in the amount of \$309,200 in fiscal year 2006-2007, and \$327,900 in fiscal year 2007-2008. Also included are Restricted Funds for the Commercial Mobile Radio Service Emergency Telecommunications Board (CMRS) for one (1) Geoprocessing Specialist in the amount of \$53,900 in fiscal year 2006-2007, and \$56,000 in fiscal year 2007-2008, and to purchase Geographical Information Systems testing equipment in the amount of \$25,000 in fiscal year 2006-2007, and \$25,000 in fiscal year 2007-2008.

GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following changes:

The General Assembly amends the State/Executive Branch Bill, Part I, Operating Budget, to include the following language provisions:

"Reviewing of Applications: The Kentucky Office of Homeland Security shall consult with Local Area Development Districts and local government entities while reviewing applications to determine qualified grant recipients."

"Statewide Annual Report: The Kentucky Office of Homeland Security shall prepare an annual report that identifies the state homeland security priorities based on National Homeland Security Priorities and shall include:

- a. An assessment of the Commonwealth's preparedness to respond to acts of war or terrorism, including nuclear, biological,

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Homeland Security

chemical, electromagnetic pulse, agricultural, ecological, or cyber terrorism;

b. Identify the priority of needs, areas of improvement, and the overall progress made with regard to the Commonwealth's preparedness; and

c. Provide a record of all federal homeland security funding, including grants of all federal homeland security funding distributed in Kentucky since the last annual written report, as well as any other relevant homeland security funding information gathered by the Kentucky Office of Homeland Security. The record shall identify, at a minimum, the specific federal source, the amount, the specific recipient, the intended use of the funding, the actual use of the funding, and any unspent amount.

The report shall be approved by the Homeland Security Interagency Working Group. The Homeland Security Interagency Working Group shall include the chair of the Senate Committee on Veterans, Military Affairs, and Public Protection, the chair of the House Committee on Seniors, Military Affairs, and Public Safety, a state agency representative, and a private agency representative.

The annual report shall be submitted to the Legislative Research Commission by October 25 of each year for a public hearing to be conducted by a joint meeting of the Senate Committee on Veterans, Military Affairs, and Public Protection and the House Committee on Seniors, Military Affairs, and Public Safety for the purpose of receiving comments on the statewide report and critique of the criteria established for determining the award of homeland security funds. The Executive Director of the Kentucky Office of Homeland Security shall report all findings of fact or any other reports or recommendations presented at the public hearing to the Homeland Security Working Group."

"Grant Recipient Report: The Kentucky Office of Homeland Security shall, within 15 days of the final award of grants, report the list of recipients to the Legislative Research Commission."

"Application Background Data: The Kentucky Office of Homeland Security shall, upon request of the Commission, make available to the Commission all grant applications submitted to the office, score sheets, and procedures for funding."

The Governor of the Commonwealth vetoes, in part, the following:

Partial Veto #2 *"I, Ernie Fletcher, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky Constitution, do hereby veto the following part:*

Page 4, line 5, after 'shall' delete ','.

Page 4, line 6, delete ...'within 15 days of the final award of grants,'

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Homeland Security

This part mandates that a report of all the recipients of homeland security grants be presented to the Legislative Research Commission within 15 days of the final award of the grants. I am vetoing this part because the timeframe is too restrictive. I have no objection to the issuance of a report in a more reasonable timeframe and have left the underlying reporting requirements intact."

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A - General Government

Operating Budget

Department of Veterans Affairs

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	16,579,800	16,579,800		14,977,200	15,436,200	459,000	15,972,900	16,669,700	696,800
Restricted Funds	22,161,800	22,161,800		24,713,700	24,713,700		24,905,700	24,905,700	
Regular Total Funds	38,741,600	38,741,600		39,690,900	40,149,900	459,000	40,878,600	41,575,400	696,800
Use of Continuing									
TOTAL FUNDS	38,741,600	38,741,600		39,690,900	40,149,900	459,000	40,878,600	41,575,400	696,800
II. EXPENDITURE CATEGORY									
Personnel Costs	32,082,800	32,082,800		33,540,400	33,645,400	105,000	34,620,500	34,879,300	258,800
Operating Expenses	5,981,600	5,981,600		6,020,500	6,255,500	235,000	6,128,100	6,363,100	235,000
Grants, Loans, Benefits	117,500	117,500		100,000	135,000	35,000	100,000	135,000	35,000
Debt Service					84,000	84,000		168,000	168,000
Capital Outlay	30,000	30,000		30,000	30,000		30,000	30,000	
Construction	529,700	529,700							
TOTAL EXPENDITURES	38,741,600	38,741,600		39,690,900	40,149,900	459,000	40,878,600	41,575,400	696,800
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	16,579,800	16,579,800		14,814,500	14,814,500		15,477,100	15,477,100	
Restricted Funds	22,161,800	22,161,800		24,696,300	24,696,300		24,810,300	24,810,300	
Regular Total Funds	38,741,600	38,741,600		39,510,800	39,510,800		40,287,400	40,287,400	
Use of Continuing									
TOTAL BASE LEVEL	38,741,600	38,741,600		39,510,800	39,510,800		40,287,400	40,287,400	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund				162,700	621,700	459,000	495,800	1,192,600	696,800
Restricted Funds				17,400	17,400		95,400	95,400	
TOTAL ADDITIONAL				180,100	639,100	459,000	591,200	1,288,000	696,800
V. ADDITIONAL BUDGET ITEMS									
1 NEW	Department of Veterans Affairs - Cemeteries								
ABR0740002	Provide funding to support nine (9) positions and operating expenses for the Veterans Cemetery Central.								
General Fund				130,300	130,300		359,300	359,300	
Restricted Funds				17,400	17,400		78,000	78,000	
Project Total				147,700	147,700		437,300	437,300	

A - General Government

Operating Budget

Department of Veterans Affairs

Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
2 NEW	Department of Veterans Affairs - Cemeteries							
ABR0740003	Provide funding to support one (1) position in FY 07 and nine (9) positions in FY 08 along with the needed operating costs for the Veterans Cemetery North.							
General Fund			32,400	32,400		136,500	136,500	
Restricted Funds						17,400	17,400	
Project Total			32,400	32,400		153,900	153,900	
3 EXPAN	Department of Veterans Affairs							
ABR0740004	Provide funding to support the operating expenses of the Leestown Homeless Veterans Transition Facility.							
General Fund				50,000	50,000		50,000	50,000
Project Total				50,000	50,000		50,000	50,000
4 NEW	Department of Veterans Affairs - Cemeteries							
ABR0740008	Provide funding to support one (1) position and operating costs in FY 08 for the Cemetery in Greenup County (Northeast).							
General Fund							63,800	63,800
Project Total							63,800	63,800
5 GB	Department of Veterans Affairs							
ABR0740005	Provide additional funding for stipends to volunteer organizations that perform honor guard burial services.							
General Fund				35,000	35,000		35,000	35,000
Project Total				35,000	35,000		35,000	35,000
6 CONT	Department of Veterans Affairs - Commissioners Office							
ABR0740017	Restoration of two (2) vacant positions in fiscal year 2006-2007 and four (4) vacant positions in fiscal year 2007-2008 in the Commissioners Office.							
General Fund				90,000	90,000		180,000	180,000
Project Total				90,000	90,000		180,000	180,000
7 CONT	Department of Veterans Affairs - Cemeteries							
ABR0740019	Provide operating funding for continued maintenance of the grounds and equipment in the Cemeteries Branch.							
General Fund				200,000	200,000		200,000	200,000
Project Total				200,000	200,000		200,000	200,000
8 NEW	Veterans Affairs							
ABR0740021	Provide funding for debt service on the Western Kentucky Veterans Center Alzheimers/General Care Unit							
General Fund				84,000	84,000		168,000	168,000
Project Total				84,000	84,000		168,000	168,000

FB 2006-2008 FINAL BUDGET MEMORANDUM - 2006 REGULAR SESSION OF THE GENERAL ASSEMBLY

A - General Government

Operating Budget

Department of Veterans Affairs

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
TOTAL ADDITIONAL				180,100	639,100	459,000	591,200	1,288,000	696,800

TRANSFERS TO THE GENERAL FUND

Department of Veterans Affairs

Agency Revenue Fund	1,756,100	1,756,100
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TOTAL	1,756,100	1,756,100
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**Fiscal Biennium 2006-2008
Budget Modification Report**

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Veterans' Affairs

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a transfer from the Department of Veterans' Affairs, Restricted Funds of \$1,756,100 in fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes language provisions that directs:

"Weekend and Holiday Premium Pay Incentive: The Kentucky Veterans' Centers are authorized to continue the weekend and holiday premium pay incentive component of the Personnel Pilot Program for the 2006-2008 fiscal biennium."

"Congressional Medal of Honor Recipients - Travel and Per Diem: The Commissioner of the Department of Veterans' Affairs may approve travel and per diem expenses incurred when Kentucky residents who have been awarded the Congressional Medal of Honor attend veterans, military, or memorial events in the Commonwealth of Kentucky."

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes new funding initiatives, above the base and defined calculations, to provide additional funds in fiscal year 2006-2007 in General Fund dollars in the amount of \$130,300 and Restricted Funds in the amount of \$17,400 and in fiscal year 2007-2008 in General Fund dollars in the amount of \$359,300 and Restricted Funds in the amount of \$78,000 for nine (9) positions and operating funds for the Kentucky Veterans Cemetery Central located in Hardin County. Additional funds are also provided in fiscal year 2006-2007 in General Fund dollars in the amount of \$32,400 for one (1) position and in fiscal year 2007-2008 General Fund dollars in the amount of \$136,500 and Restricted Funds in the amount of \$17,400 to hire nine (9) positions and operating for the Kentucky Veterans Cemetery North located in Grant County.

GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following changes:

**Fiscal Biennium 2006-2008
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Veterans' Affairs

The General Assembly provides additional General Fund support totaling \$495,000 in fiscal year 2006-2007 and \$696,800 in fiscal year 2007-2008 to fund one (1) position for the Northeast Cemetery - Greenup County (\$63,800), stipends to non-profit organizations that volunteer their time and money to perform honor guard burial services (\$35,000 each year), the restoration of two (2) vacant positions in the Commissioner's Office (\$90,000 in fiscal year 2006-2007 and \$180,000 in fiscal year 2007-2008), maintenance for the grounds and equipment at the cemeteries (\$200,000 each year), and debt service of \$84,000 in fiscal year 2006-2007 and \$168,000 in fiscal year 2007-2008 for the Western Kentucky Veterans' Center - Alzheimer's/General Care Unit.

The General Assembly amends the State/Executive Branch Budget Bill, Part I, Operating Budget, to include the following language provisions:

"Military Burial Honor Guard Program: Included in the above General Fund appropriation is an additional \$35,000 in each fiscal year to support the Military Burial Honor Guard Program/Veterans' Service Organizational Burial Honor Guard Trust Fund for providing proper support and decorum for veterans' funeral honors. These funds shall not lapse nor be utilized for other than the intended purposes.

Pursuant to KRS 36.390, the Department of Military Affairs shall coordinate with the Department of Veterans' Affairs and the Board of Embalmers and Funeral Directors on the implementation of the Military Burial Honor Guard Program. The Board of Embalmers and Funeral Directors shall mail program notification letters to all licensed embalmers and funeral directors with information related to the program description and contacts for the Military Burial Honor Guard Program. These letters shall be mailed with the annual renewal notifications prior to July 1 each year. New applicants will receive their notification of the program at the time of licensing. The Board of Embalmers and Funeral Directors shall establish a section on the Board's Web site pertaining to the Military Burial Honor Guard Program. The Department of Military Affairs and the Department of Veterans' Affairs shall report to the Interim Joint Committee on Seniors, Veterans, Military Affairs, and Public Protection prior to January 1, 2007, on the implementation of the Military Burial Honor Guard Program. The report shall include recommendations on organizational related matters, training and continuing education needs, equipment requirements for organizations performing or coordinating the honors ceremonies, and the expenditure of funds."

"Debt Service: Included in the above General Fund appropriation is \$84,000 in fiscal year 2006-2007 and \$168,000 in fiscal year 2007-2008 for debt service to support new bonds for the Western Kentucky Veterans' Center as set forth in Part II, Capital Projects Budget, of this Act."

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Veterans' Affairs

The General Assembly amends the State/Executive Branch Budget Bill, Part II, Capital Budget, and provides General Fund dollars of \$395,000 in fiscal year 2006-2007 to construct the State Veterans' Cemetery in Northeast Kentucky (Greenup County). The General Assembly provides General Fund in the amount of \$200,000 and Federal Funds of \$6,000,000 in fiscal year 2007-2008 to construct the State Veterans' Cemetery in Southeast Kentucky (Leslie County). The General Assembly also provides \$1,757,000 in Bond Funds in fiscal year 2006-2007 to construct a Alzheimer's/General Care Unit at the Western Kentucky Veterans' Center.

A - General Government

Capital Budget

Department of Veterans Affairs

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE									
General Fund					395,000	395,000	200,000	200,000	
Federal Funds							8,300,000	14,300,000	6,000,000
Bond Funds					1,757,000	1,757,000			
Investment Income				100,000	100,000		100,000	100,000	
TOTAL CAPITAL				100,000	2,252,000	2,152,000	8,600,000	14,600,000	6,000,000
II. CAPITAL PROJECTS									
1	Maintenance Pool								
PRJ0741349									
Investment Income				100,000	100,000		100,000	100,000	
Project Total				100,000	100,000		100,000	100,000	
2	Construct State Veterans Cemetery-Northeast Kentucky (Greenup County)								
PRJ0741346									
General Fund					395,000	395,000	200,000		(200,000)
Federal Funds							8,300,000	8,300,000	
Project Total					395,000	395,000	8,500,000	8,300,000	(200,000)
3	Construct State Veterans Cemetery - Southeast Kentucky (Leslie County)								
PRJ0741352									
General Fund								200,000	200,000
Federal Funds								6,000,000	6,000,000
Project Total								6,200,000	6,200,000
4	Western Kentucky Veterans Center - Alzheimers/General Care Unit								
PRJ0741354									
Bond Funds					1,757,000	1,757,000			
Project Total					1,757,000	1,757,000			
TOTAL CAPITAL				100,000	2,252,000	2,152,000	8,600,000	14,600,000	6,000,000

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A - General Government

Operating Budget

Governors Office of Agricultural Policy

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund (Tobacco)	24,541,400	24,541,400		21,469,800	17,469,800	(4,000,000)	23,065,100	20,065,100	(3,000,000)
General Fund	1,000,000	28,000,000	27,000,000		3,000,000	3,000,000			
Restricted Funds	515,600	515,600		545,800	545,800		570,000	570,000	
Regular Total Funds	26,057,000	53,057,000	27,000,000	22,015,600	21,015,600	(1,000,000)	23,635,100	20,635,100	(3,000,000)
Use of Continuing	5,252,400	(21,747,600)	(27,000,000)	2,796,500	6,796,500	4,000,000	9,508,700	12,508,700	3,000,000
TOTAL FUNDS	31,309,400	31,309,400		24,812,100	27,812,100	3,000,000	33,143,800	33,143,800	
II. EXPENDITURE CATEGORY									
Personnel Costs	1,107,100	1,107,100		1,149,300	1,149,300		1,177,400	1,177,400	
Operating Expenses	201,300	201,300		201,300	201,300		201,300	201,300	
Grants, Loans, Benefits	30,001,000	30,001,000		23,461,500	26,461,500	3,000,000	31,765,100	31,765,100	
TOTAL EXPENDITURES	31,309,400	31,309,400		24,812,100	27,812,100	3,000,000	33,143,800	33,143,800	
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund (Tobacco)	24,541,400	24,541,400		21,469,800	17,469,800	(4,000,000)	21,195,000	18,195,000	(3,000,000)
General Fund	1,000,000	28,000,000	27,000,000						
Restricted Funds	515,600	515,600		545,800	545,800		515,600	515,600	
Regular Total Funds	26,057,000	53,057,000	27,000,000	22,015,600	18,015,600	(4,000,000)	21,710,600	18,710,600	(3,000,000)
Use of Continuing	5,252,400	(21,747,600)	(27,000,000)	2,796,500	6,796,500	4,000,000	9,508,700	12,508,700	3,000,000
TOTAL BASE LEVEL	31,309,400	31,309,400		24,812,100	24,812,100		31,219,300	31,219,300	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund (Tobacco)							1,870,100	1,870,100	
General Fund					3,000,000	3,000,000			
Restricted Funds							54,400	54,400	
TOTAL ADDITIONAL					3,000,000	3,000,000	1,924,500	1,924,500	
V. ADDITIONAL BUDGET ITEMS									
1 CONT Governors Office of Agricultural Policy									
ABR0890002 Provide funding to support an increase in Tobacco Fund grants.									
General Fund (Tobacco)							1,870,100	1,870,100	
Restricted Funds							54,400	54,400	
Project Total							1,924,500	1,924,500	

FB 2006-2008 FINAL BUDGET MEMORANDUM - 2006 REGULAR SESSION OF THE GENERAL ASSEMBLY

A - General Government

Operating Budget

Governors Office of Agricultural Policy

Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
2 CONT Fund Reduction Restoration								
ABR0890003 Restoration of funds.								
General Fund				3,000,000	3,000,000			
Project Total				3,000,000	3,000,000			
TOTAL ADDITIONAL				3,000,000	3,000,000	1,924,500	1,924,500	

**Fiscal Biennium 2006-2008
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Governor's Office of Agriculture Policy

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part X, Phase I Tobacco Settlement, includes the following language provisions:

"Agricultural Development Initiatives: Fifty percent of the MSA payments, less the above enforcement appropriations, received in fiscal year 2006-2007, estimated to be \$44,312,500, and in fiscal year 2007-2008, estimated to be \$46,912,500, is appropriated to the Kentucky Agricultural Development Fund to be used for agricultural development initiatives."

"MSA Appropriation Adjustment: The Consensus Forecasting Group reduced the fiscal year 2005-2006 Phase I Master Settlement Agreement revenue forecast from the enacted estimate of \$108,600,000 to \$91,300,000, a reduction of \$17,300,000. The revenue estimate reduction was based on the high probability of an adjustment for nonparticipating manufacturers. To accommodate this reduction in estimated revenues, the following fiscal year 2005-2006 appropriations are hereby reduced in accordance with 2005 Ky. Acts ch. 173, Part X, (5)."

"Tobacco Settlement Funds - Allocations: Notwithstanding KRS 248.711(2), and from the allocation provided therein, counties that are allocated in excess of \$20,000 annually may provide up to four percent of the individual county allocation, not to exceed \$15,000 annually, to the county council in that county for administrative costs."

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part I, Operating Budget includes language provisions that directs:

"Kentucky Agricultural Finance Corporation: Notwithstanding KRS 247.978(2), the total amount of principal which a qualified applicant may owe the Kentucky Agricultural Finance Corporation at any one time shall not exceed \$5,000,000."

**Fiscal Biennium 2006-2008
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Governor's Office of Agriculture Policy

"Tobacco Settlement Funds - Allocations: Notwithstanding KRS 248.711(2), and from the allocation provided therein, counties that are allocated in excess of \$20,000 annually may provide up to four percent of the individual county allocation, not to exceed \$15,000 annually, to the county council in that county for administrative costs."

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes new funding initiatives above the base and defined calculations, in the amount of amount of \$1,870,100 in General Fund (Tobacco) and Restricted Funds of \$54,400 in fiscal year 2007-2008 for an increase in the grants. Additional funding adjustments in fiscal year 2005-2006 includes a reduction in the General Fund by \$898,000 for debt service on the \$17,000,000 Bond Funds, allocated to the Kentucky Agriculture Finance Corporation enacted in House Bill 267. These funds are no longer required due to recent litigation.

GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following changes:

The General Assembly amends the State/Executive Branch Budget Bill, Part I, Operating Budget, with the following changes:

The General Assembly provides an additional \$3,000,000 in General Fund in fiscal year 2006-2007 for the restoration of funds resulting from the Master Settlement Agreement appropriation adjustment from the reduced Consensus Forecasting Group estimates in fiscal year 2005-2006. The General Assembly reduces the General Fund Tobacco dollars in Part I and Part X by \$4,000,000 in fiscal year 2006-2007 and \$3,000,000 in fiscal year 2007-2008 and the funds were appropriated to fund the Environmental Stewardship Program.

The General Assembly increases the General Fund appropriation by \$27,000,000, representing Partial Phase II Litigation proceeds that were appropriated in fiscal year 2005-2006 pursuant to 2005 House Bill 267 (2005 Ky. Acts ch. 173, Part X, Phase I Tobacco Settlement, B.3.a.(4)).

The General Assembly amends the State/Executive Branch Budget Bill, Part I, Operating Budget, to include the following language provisions:

"Partial Phase II Litigation Proceeds: Notwithstanding KRS 45.229, General Fund dollars of \$27,000,000 representing Partial Phase II Litigation proceeds that were appropriated in fiscal year 2005-2006 pursuant to 2005 House Bill 267 (2005 Ky. Acts ch. 173,

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Governor's Office of Agriculture Policy

Part X, Phase I Tobacco Settlement, B.3.a.(4)), shall not lapse in fiscal years 2005-2006, 2006-2007, and 2007-2008. To the extent possible, all General Fund dollars shall be expended from the account prior to the expenditure of Tobacco Fund dollars."

"Restoration of Funds: Notwithstanding KRS 45.229, General Fund dollars of \$3,000,000 representing the restoration of funds, shall not lapse in fiscal year 2006-2007 and fiscal year 2007-2008. Included in the above General Fund appropriation in fiscal year 2006-2007 is an additional \$3,000,000 for the restoration of funds resulting from the Master Settlement Agreement appropriation adjustment resulting from the reduced Consensus Forecasting Group estimates in fiscal year 2005-2006."

The General Assembly amends the State/Executive Branch Budget Bill, Part X, Operating Budget, to include the following language provision:

"Partial Phase II Litigation Proceeds: Notwithstanding KRS 45.229, General Fund dollars of \$27,000,000 representing Partial Phase II Litigation proceeds that were appropriated in fiscal year 2005-2006 pursuant to 2005 House Bill 267 (2005 Ky. Acts ch. 173, Part X, Phase I Tobacco Settlement, B.3.a.(4), shall not lapse in fiscal years 2005-2006, 2006-2007, and 2007-2008. To the extent possible, all General Fund dollars shall be expended from the account prior to the expenditure of Tobacco Fund dollars."

"Kentucky Tobacco Settlement Trust Corporation: The Governor's Office of Agricultural Policy shall provide and make available the funds necessary, not to exceed \$4,000,000, for the Kentucky Tobacco Settlement Trust Corporation to carry out the provisions of the Phase II Amnesty Payment Program established in Part XX, Tobacco Amnesty Compensation, of this Act. General Fund and/or General Fund (Tobacco) continuing appropriations from the Governor's Office of Agricultural Policy shall be the source of funds provided to the Kentucky Tobacco Settlement Trust Corporation."

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A - General Government

Operating Budget

Kentucky Infrastructure Authority

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund				2,343,500	2,343,500		2,840,100	25,744,100	22,904,000
Restricted Funds	3,680,000	3,680,000		1,483,300	1,483,300		1,752,600	1,752,600	
Federal Funds	50,339,000	50,339,000		50,172,600	50,172,600		50,172,600	50,172,600	
Regular Total Funds	54,019,000	54,019,000		53,999,400	53,999,400		54,765,300	77,669,300	22,904,000
Use of Continuing									
TOTAL FUNDS	54,019,000	54,019,000		53,999,400	53,999,400		54,765,300	77,669,300	22,904,000
II. EXPENDITURE CATEGORY									
Personnel Costs	2,278,400	2,278,400		2,691,800	2,691,800		2,705,700	2,705,700	
Operating Expenses	285,700	285,700		307,600	307,600		307,600	307,600	
Grants, Loans, Benefits	51,454,900	51,454,900		51,000,000	51,000,000		51,000,000	51,000,000	
Debt Service							752,000	23,656,000	22,904,000
TOTAL EXPENDITURES	54,019,000	54,019,000		53,999,400	53,999,400		54,765,300	77,669,300	22,904,000
III. BASE LEVEL BUDGET BY FUND SOURCE									
Restricted Funds	3,680,000	3,680,000		1,483,300	1,483,300		1,752,600	1,752,600	
Federal Funds	50,339,000	50,339,000		50,172,600	50,172,600		50,172,600	50,172,600	
Regular Total Funds	54,019,000	54,019,000		51,655,900	51,655,900		51,925,200	51,925,200	
Use of Continuing									
TOTAL BASE LEVEL	54,019,000	54,019,000		51,655,900	51,655,900		51,925,200	51,925,200	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund				2,343,500	2,343,500		2,840,100	25,744,100	22,904,000
TOTAL ADDITIONAL				2,343,500	2,343,500		2,840,100	25,744,100	22,904,000
V. ADDITIONAL BUDGET ITEMS									
1 EXPAN Debt Service									
ABR0820004 Provide debt service for 2 projects, a total of \$8.0 million in Bonds									
General Fund							752,000	376,000	(376,000)
Project Total							752,000	376,000	(376,000)
2 RRF KIA- Restricted Funds Replacement									
ABR0820002 Provide General Funds to replace a reduction of Restricted Fund receipts.									
General Fund				2,343,500	2,343,500		2,088,100	2,088,100	
Project Total				2,343,500	2,343,500		2,088,100	2,088,100	

A - General Government

Operating Budget

Kentucky Infrastructure Authority

Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
3 NEW	Debt Service - Infrastructure for Economic Development Fund - Non-Coal Producing Counties							
ABR0820005	Provide debt service on \$150 million in Bond Funds.							
General Fund							13,968,000	13,968,000
Project Total							13,968,000	13,968,000
4 NEW	Debt Service - Infrastructure for Economic Development Fund for Coal Producing Counties							
ABR0820006	Provide debt service on \$100 million in Bond Funds.							
General Fund							9,312,000	9,312,000
Project Total							9,312,000	9,312,000
TOTAL ADDITIONAL			2,343,500	2,343,500		2,840,100	25,744,100	22,904,000

TRANSFERS TO THE GENERAL FUND

Kentucky Infrastructure Authority

Solid Waste and Environmental Protection Revolving Loan Fund Program	3,600,000	3,600,000
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TOTAL	3,600,000	3,600,000
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Kentucky Infrastructure Authority

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part I, Operating Budget includes language provisions that direct:

"Federally Assisted Wastewater Revolving Loan Fund Program: Included in the above General Fund appropriation is \$376,000 in fiscal year 2007-2008 for debt service to support \$4,000,000 in bonds to match \$20,000,000 in Federal Funds for the Federally Assisted Wastewater Revolving Loan Fund Program (Fund A)."

"Safe Drinking Water State Revolving Loan Fund Program: Included in the above General Fund appropriation is \$376,000 in fiscal year 2007-2008 for debt service to support \$4,000,000 in bonds to match \$22,000,000 in Federal Funds for the Safe Drinking Water State Revolving Loan Fund Program (Fund F). The Federal Funds for this program are appropriated in the operating budget to comply with the Federal Cash Management Act. The required state matching funds are appropriated as Bond Funds in Part II, Capital Projects Budget, of this Act."

"Administrative Fee on Infrastructure for Economic Development Fund Projects: A one-half of one percent administrative fee is authorized to be paid to the Kentucky Infrastructure Authority for the administration of each project funded by the Infrastructure for Economic Development Fund for Coal-Producing Counties and the Infrastructure for Economic Development Fund for Tobacco Counties. These administrative fees shall be paid, upon inception of the project, out of the fund from which the project was allocated."

"Local Government Economic Development Funds: Included in the above General Fund appropriation is \$370,000 in fiscal year 2006-2007 and \$311,700 in fiscal year 2007-2008 from the Local Government Economic Development Fund to support services provided to coal producing counties."

The State/Executive Branch Budget Bill, Part I, Operating Budget provides General Fund appropriation of \$2,343,500 in fiscal year 2006-2007 and \$2,088,100 in fiscal year 2007-2008 as Restricted Funds replacement.

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Kentucky Infrastructure Authority

The State/Executive Branch Budget Bill, Part II, Capital Projects Budget, includes a language provision as follows:

"Expenditure of Loan Repayments Cash Balances: The Kentucky Infrastructure Authority is authorized to expend the cash balances from loan repayments on deposit at the trustee bank for financial assistance, in the form of low-interest loans, to governmental agencies for professional planning and preliminary engineering design work required for eligible Fund A wastewater projects."

GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following changes:

The General Assembly amends the State/Executive Branch Budget Bill, Part I, Operating Budget, to include the following language provision changes:

"Federally Assisted Wastewater Revolving Loan Fund Program: Included in the above General Fund appropriation is \$188,000 in fiscal year 2007-2008 for debt service to support \$4,000,000 in bonds to match \$20,000,000 in Federal Funds for the Federally Assisted Wastewater Revolving Loan Fund Program (Fund A)."

"Safe Drinking Water State Revolving Loan Fund Program: Included in the above General Fund appropriation is \$188,000 in fiscal year 2007-2008 for debt service to support \$4,000,000 in bonds to match \$22,000,000 in Federal Funds for the Safe Drinking Water State Revolving Loan Fund Program (Fund F). The Federal Funds for this program are appropriated in the operating budget to comply with the Federal Cash Management Act. The required state matching funds are appropriated as Bond Funds in Part II, Capital Projects Budget, of this Act."

The General Assembly amends the State/Executive Branch Budget Bill, Part I, Operating Budget, to include the following language provisions:

"Infrastructure for Economic Development Fund for Non-Coal Producing Counties: Included in the above General Fund appropriation is \$13,968,000 in fiscal year 2007-2008 for debt service to support \$150,000,000 Bond Funds for the Infrastructure for Economic Development Fund for Non-Coal Producing Counties as set forth in Part II, Capital Projects Budget, of this Act."

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Kentucky Infrastructure Authority

"Infrastructure for Economic Development Fund for Coal-Producing Counties: Included in the above General Fund appropriation is \$9,312,000 in fiscal year 2007-2008 for debt service to support \$100,000,000 Bond Funds for the Infrastructure for Economic Development Fund for Coal-Producing Counties as set forth in Part II, Capital Projects Budget, of this Act."

The General Assembly provides language authorizing a one-half of one percent administrative fee to be paid to the Kentucky Infrastructure Authority for the administration of each project in the bond pool funds in the Infrastructure for Economic Development Funds for Coal Producing Counties and Non-Coal Counties.

The General Assembly amends the State/Executive Branch Budget Bill, Part II, Capital Budget, to include:

The General Assembly provides \$150,000,000 Bond Funds for the Infrastructure for Economic Development Fund for Non-Coal Producing Counties.

The General Assembly provides \$100,000,000 Bond Funds for the Infrastructure for Economic Development Fund for Coal Producing Counties.

The General Assembly adds a Part V, Fund Transfer, from the Solid Waste and Environmental Protection Revolving Loan Fund Program of \$3,600,000 in fiscal year 2005-2006.

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Capital Budget

Kentucky Infrastructure Authority

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE									
Federal Funds				40,000,000	40,000,000				
Bond Funds				8,000,000	258,000,000	250,000,000			
TOTAL CAPITAL				48,000,000	298,000,000	250,000,000			
II. CAPITAL PROJECTS									
1	KIA Fund F - Drinking Water Revolving Loan Program								
PRJ0821390									
Federal Funds				20,000,000	20,000,000				
Bond Funds				4,000,000	4,000,000				
Project Total				24,000,000	24,000,000				
2	KIA Fund A - Federally Assisted Wastewater Program								
PRJ0821389									
Federal Funds				20,000,000	20,000,000				
Bond Funds				4,000,000	4,000,000				
Project Total				24,000,000	24,000,000				
3	Infrastructure for Economic Development Fund for Non-Coal Producing Counties								
PRJ0821394									
Bond Funds					150,000,000	150,000,000			
Project Total					150,000,000	150,000,000			
4	Infrastructure for Economic Development Fund for Coal Producing Counties								
PRJ0821396									
Bond Funds					100,000,000	100,000,000			
Project Total					100,000,000	100,000,000			
TOTAL CAPITAL				48,000,000	298,000,000	250,000,000			

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A - General Government

Operating Budget

Military Affairs

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	19,864,800	19,864,800		11,177,700	12,588,700	1,411,000	11,177,700	12,799,700	1,622,000
Restricted Funds	24,429,200	24,429,200		24,271,500	24,271,500		24,271,500	24,271,500	
Federal Funds	91,870,500	91,870,500		62,302,800	62,302,800		62,660,700	62,660,700	
Regular Total Funds	136,164,500	136,164,500		97,752,000	99,163,000	1,411,000	98,109,900	99,731,900	1,622,000
Use of Continuing									
TOTAL FUNDS	136,164,500	136,164,500		97,752,000	99,163,000	1,411,000	98,109,900	99,731,900	1,622,000
II. EXPENDITURE CATEGORY									
Personnel Costs	27,885,900	27,885,900		26,743,200	26,843,200	100,000	26,798,800	26,898,800	100,000
Operating Expenses	21,289,800	21,289,800		19,951,000	20,151,000	200,000	19,991,200	20,191,200	200,000
Grants, Loans, Benefits	82,800,200	82,800,200		46,869,200	47,769,200	900,000	47,131,300	48,031,300	900,000
Debt Service	938,600	938,600		938,600	1,149,600	211,000	938,600	1,360,600	422,000
Capital Outlay	250,000	250,000		250,000	250,000		250,000	250,000	
Construction	3,000,000	3,000,000		3,000,000	3,000,000		3,000,000	3,000,000	
TOTAL EXPENDITURES	136,164,500	136,164,500		97,752,000	99,163,000	1,411,000	98,109,900	99,731,900	1,622,000
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	19,864,800	19,864,800		11,177,700	11,177,700		11,177,700	11,177,700	
Restricted Funds	24,429,200	24,429,200		24,271,500	24,271,500		24,271,500	24,271,500	
Federal Funds	91,870,500	91,870,500		62,302,800	62,302,800		62,660,700	62,660,700	
Regular Total Funds	136,164,500	136,164,500		97,752,000	97,752,000		98,109,900	98,109,900	
Use of Continuing									
TOTAL BASE LEVEL	136,164,500	136,164,500		97,752,000	97,752,000		98,109,900	98,109,900	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund					1,411,000	1,411,000		1,622,000	1,622,000
TOTAL ADDITIONAL					1,411,000	1,411,000		1,622,000	1,622,000
V. ADDITIONAL BUDGET ITEMS									
1 NEW	Military Affairs - Kentucky Commission on Military Affairs								
ABR0950025	Provide funding to support operations of the Patton Museum located at Fort Knox. Governor vetoed \$500,000 in fiscal year 2007-2008; therefore, these funds shall lapse to the credit of the General Fund.								
General Fund					500,000	500,000		500,000	500,000
Project Total					500,000	500,000		500,000	500,000

A - General Government

Operating Budget

Military Affairs

			Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
			Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
2	NEW	Military Affairs									
ABR0950007		Provide funding for debt service for a state bond issue to purchase 4,290 acres of property on the Wendell H. Ford Regional Training Center, currently leased.									
General Fund							211,000	211,000		422,000	422,000
Project Total							211,000	211,000		422,000	422,000
3	NEW	Military Affairs - Burial Honor Program									
ABR0950026		Provide funding to non-profit volunteer organizations to purchase military uniforms and equipment to perform burial honors for veterans.									
General Fund							200,000	200,000		200,000	200,000
Project Total							200,000	200,000		200,000	200,000
4	NEW	Military Affairs - Military Family Assistance Fund									
ABR0950027		Provide funding to support the operations of the trust fund that includes awarding of grants to assist military families as identified in Sections 1-4 of 2006 Senate Bill 2.									
General Fund							500,000	500,000		500,000	500,000
Project Total							500,000	500,000		500,000	500,000
TOTAL ADDITIONAL							1,411,000	1,411,000		1,622,000	1,622,000

TRANSFERS TO THE GENERAL FUND

Military Affairs

Agency Revenue Fund	300,000	300,000	400,000	4,900,000	4,500,000	300,000	300,000
TOTAL	300,000	300,000	400,000	4,900,000	4,500,000	300,000	300,000

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Military Affairs

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a transfer from the Department of Military Affairs, Restricted Funds of \$300,000 in fiscal year 2005-2006, \$400,000 in fiscal year 2006-2007, and \$300,000 in fiscal year 2007-2008.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes language provisions that directs:

"Kentucky National Guard: There is appropriated from the General Fund the necessary funds to be expended, subject to the conditions and procedures provided in this Act, which are required as a result of the Governor's call of the Kentucky National Guard to active duty when an emergency or exigent situation has been declared to exist by the Governor. These necessary funds shall be made available from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705)."

"Disaster or Emergency Aid Funds: There is appropriated from the General Fund the necessary funds, subject to the conditions and procedures in this Act, which are required to match federal aid to which the state would be eligible in the event of a presidentially declared disaster or emergency. These necessary funds shall be made available from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705)."

GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following changes:

The General Assembly amends the State/Executive Branch Budget Bill, Part I, Operating Budget, and provides additional General Fund dollars of \$1,411,000 in fiscal year 2006-2007 and \$1,622,000 in fiscal year 2007-2008 of which \$500,000 in each fiscal year is for the Patton Museum located at Fort Knox. The remainder of General Fund dollars of \$211,000 in fiscal year 2006-2007 and \$422,000 in fiscal year 2007-2008 is for debt service for bonds to acquire land for the Wendell H. Ford Regional Training Center,

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Military Affairs

\$200,000 each year for volunteer organizations to purchase military uniforms and equipment to perform burial honors, and \$500,000 each year to support the Military Family Assistance Fund.

The General Assembly amends the State/Executive Branch Budget Bill, Part I Operating Budget, to include the following language provisions:

"Base Realignment and Closure: Included in the above General Fund appropriation is \$300,000 in fiscal year 2006-2007 and \$300,000 in fiscal year 2007-2008 for the Kentucky Commission on Military Affairs to support Kentucky's efforts regarding the Base Realignment and Closure process. The Department of Military Affairs shall continue to provide administrative support for this activity."

"Patton Museum: Included in the above General Fund appropriation is an additional \$500,000 in fiscal year 2006-2007 and \$500,000 in fiscal year 2007-2008 for the Kentucky Commission on Military Affairs to provide funds for a grant to support the operations of the Patton Museum. The Department of Military Affairs shall provide administrative support for this activity."

"Military Burial Honor Guard Program: Included in the above General Fund appropriation is an additional \$200,000 in each fiscal year to support the Military Burial Honor Guard Program/Military Burial Honor Guard Trust Fund for providing the proper support and decorum for military funeral honors pursuant to KRS 36.390 to 36.396. These funds shall not lapse nor be utilized for other than the intended purposes.

Pursuant to KRS 36.390, the Department of Military Affairs shall coordinate with the Department of Veterans' Affairs and the Board of Embalmers and Funeral Directors on the implementation of the Military Burial Honor Guard Program. The Board of Embalmers and Funeral Directors shall mail program notification letters to all licensed embalmers and funeral directors with information related to program description and contacts for the Military Burial Honor Guard Program. These letters shall be mailed with the annual renewal notifications prior to July 1 each year. New applicants will receive their notification of the program at the time of licensing. The Board of Embalmers and Funeral Directors shall establish a section on the Board's web site pertaining to the Military Burial Honor Guard Program. The Department of Military Affairs and the Department of Veterans' Affairs shall report to the Interim Joint Committee on Seniors, Veterans, Military Affairs, and Public Protection prior to January 1, 2007, on the implementation of the Military Burial Honor Guard Program. The report shall include recommendations on organizational related matters, training and continuing education needs, equipment requirements for organizations performing or coordinating the honors ceremonies, and the expenditure of funds."

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Military Affairs

"Debt Service: Included in the above General Fund appropriation is \$211,000 in fiscal year 2006-2007 and \$422,000 in fiscal year 2007-2008 for debt service to support new bonds as set forth in Part II, Capital Projects Budget, of this Act."

"Military Family Assistance Trust Fund: Included in the above General Fund appropriation is an additional \$500,000 each fiscal year to provide funding to support the Military Family Assistance Trust Fund as codified in Part XXVIII of this Act. Of the total General Fund appropriation, \$400,000 each fiscal year shall be used as proceeds for the Fund and \$100,000 shall be used for operations."

"Morehead/Rowan County Airport: The Kentucky National Guard may accept any available federal dollars for construction of a road to the Morehead/Rowan County Airport. The Kentucky National Guard shall work with the Transportation Cabinet to complete this project."

The General Assembly amends the State/Executive Branch Budget Bill, Part V, Fund Transfer, to provide for an additional \$4,500,000 Restricted Funds transfer to the General Fund in fiscal year 2006-2007.

The General Assembly amends the State/Executive Branch Budget Bill, Part II, Capital Budget, to include Bond Funds totaling \$4,500,000 to acquire land for the Wendell H. Ford Regional Training Center.

The Governor of the Commonwealth vetoes, in part the following:

Partial Veto #3 - *'I, Ernie Fletcher, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky Constitution, do hereby veto the following part:*

Page 9, line 1, after '2006-2007' delete 'and \$500,000 in fiscal year 2007-2008.'

This part appropriates \$500,000 in fiscal year 2007-2008 as a grant supporting the operations of the Patton Museum. The Patton Museum is located on the grounds of Fort Knox and is a museum of the history of mechanized armor and General George S. Patton. The Patton Museum is incorporated as a 501(c) entity responsible for raising operating and support revenues through private donations as well as maintaining historic objects and pieces of equipment that remain U.S. Army property. I am vetoing the \$500,000

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Military Affairs

appropriation in fiscal year 2007-2008 because the grant, for the Patton Museum should be a one-time, nonrecurring grant of funds from state tax dollars. As a result of this veto, the \$500,000 will lapse to the General Fund Surplus account at the end of fiscal year 2007-2008."

A - General Government**Capital Budget****Military Affairs**

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE									
Restricted Funds				7,375,000	2,875,000	(4,500,000)	2,500,000	2,500,000	
Federal Funds				15,525,000	15,525,000				
Bond Funds					4,500,000	4,500,000			
Investment Income				1,360,000	1,360,000		1,360,000	1,360,000	
TOTAL CAPITAL				24,260,000	24,260,000		3,860,000	3,860,000	
II. CAPITAL PROJECTS									
1	Maintenance Pool								
PRJ0951376									
Investment Income				860,000	860,000		860,000	860,000	
Project Total				860,000	860,000		860,000	860,000	
2	Aircraft Maintenance Pool								
PRJ0951383									
Investment Income				500,000	500,000		500,000	500,000	
Project Total				500,000	500,000		500,000	500,000	
3	Bluegrass Station Facility Maintenance Pool								
PRJ0951378									
Restricted Funds				2,500,000	2,500,000		2,500,000	2,500,000	
Project Total				2,500,000	2,500,000		2,500,000	2,500,000	
4	Acquire Land for Wendell H. Ford Regional Training Center								
PRJ0951385									
Restricted Funds				4,500,000		(4,500,000)			
Bond Funds					4,500,000	4,500,000			
Project Total				4,500,000	4,500,000				
5	Construct Warehouse - Bluegrass Station								
PRJ0951375									
Restricted Funds				375,000	375,000				
Federal Funds				1,125,000	1,125,000				
Project Total				1,500,000	1,500,000				

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Capital Budget

Military Affairs

Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
6 Upgrade DMA Statewide Radio System - Additional								
PRJ0952571								
Federal Funds			3,000,000	3,000,000				
Project Total			3,000,000	3,000,000				
7 Construct Joint Use Readiness Center Paducah								
PRJ0951372								
Federal Funds			11,400,000	11,400,000				
Project Total			11,400,000	11,400,000				
TOTAL CAPITAL			24,260,000	24,260,000		3,860,000	3,860,000	

A - General Government

Operating Budget

Commission on Human Rights

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	1,800,400	1,800,400		1,840,900	1,840,900		1,859,100	1,859,100	
Restricted Funds	1,600	1,600		1,700	1,700		1,600	1,600	
Federal Funds	339,000	339,000		293,400	293,400		305,700	305,700	
Regular Total Funds	2,141,000	2,141,000		2,136,000	2,136,000		2,166,400	2,166,400	
Use of Continuing									
TOTAL FUNDS	2,141,000	2,141,000		2,136,000	2,136,000		2,166,400	2,166,400	
II. EXPENDITURE CATEGORY									
Personnel Costs	1,724,500	1,724,500		1,752,200	1,752,200		1,782,600	1,782,600	
Operating Expenses	416,500	416,500		383,800	383,800		383,800	383,800	
TOTAL EXPENDITURES	2,141,000	2,141,000		2,136,000	2,136,000		2,166,400	2,166,400	
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	1,800,400	1,800,400		1,840,900	1,840,900		1,859,100	1,859,100	
Restricted Funds	1,600	1,600		1,700	1,700		1,600	1,600	
Federal Funds	212,900	212,900		293,400	293,400		305,700	305,700	
Regular Total Funds	2,014,900	2,014,900		2,136,000	2,136,000		2,166,400	2,166,400	
Use of Continuing									
TOTAL BASE LEVEL	2,014,900	2,014,900		2,136,000	2,136,000		2,166,400	2,166,400	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
Federal Funds	126,100	126,100							
TOTAL ADDITIONAL	126,100	126,100							
V. ADDITIONAL BUDGET ITEMS									
1 EXPAN Commission on Human Rights									
ABR3700029 Increase expenditure authority to support a new EEOC and HUD grant.									
Federal Funds	126,100	126,100							
Project Total	126,100	126,100							
TOTAL ADDITIONAL	126,100	126,100							

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Commission on Human Rights

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes additional Federal Funds in the amount of \$126,100 in fiscal year 2005-2006 to continue contractual arrangements with the Department of Housing and Urban Development and the Equal Employment Opportunity Commission.

GENERAL ASSEMBLY

The General Assembly concurs with the Branch.

A - General Government

Operating Budget

Commission on Women

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	266,200	266,200		266,200	266,200		266,200	266,200	
Restricted Funds	10,200	10,200		25,600	25,600		24,400	24,400	
Regular Total Funds	276,400	276,400		291,800	291,800		290,600	290,600	
Use of Continuing									
TOTAL FUNDS	276,400	276,400		291,800	291,800		290,600	290,600	
II. EXPENDITURE CATEGORY									
Personnel Costs	180,500	180,500		188,900	188,900		192,800	192,800	
Operating Expenses	95,900	95,900		102,900	102,900		97,800	97,800	
TOTAL EXPENDITURES	276,400	276,400		291,800	291,800		290,600	290,600	
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	266,200	266,200		266,200	266,200		266,200	266,200	
Restricted Funds	10,200	10,200		11,900	11,900		6,900	6,900	
Regular Total Funds	276,400	276,400		278,100	278,100		273,100	273,100	
Use of Continuing									
TOTAL BASE LEVEL	276,400	276,400		278,100	278,100		273,100	273,100	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
Restricted Funds				13,700	13,700		17,500	17,500	
TOTAL ADDITIONAL				13,700	13,700		17,500	17,500	
V. ADDITIONAL BUDGET ITEMS									
1 CONT Commission on Women									
ABR4000004 Provide funding to support the Governors Biennial Womens Economic Conference.									
Restricted Funds				13,700	13,700		17,500	17,500	
Project Total				13,700	13,700		17,500	17,500	
TOTAL ADDITIONAL				13,700	13,700		17,500	17,500	
TRANSFERS TO THE GENERAL FUND									
Commission on Women									
Agency Revenue Fund	1,800	1,800							
TOTAL	1,800	1,800							

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Commission on Women

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a transfer from the Commission on Women, Restricted Funds, of \$1,800 in fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes a funding initiatives, above the base and defined calculations, in Restricted Funds of \$13,700 in fiscal year 2006-2007 and \$15,500 in fiscal year 2007-2008 to support the Governor's Biennial Women's Economic Conference.

GENERAL ASSEMBLY

The General Assembly concurs with the Branch.

A - General Government

Operating Budget

Governors Office for Local Development

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	13,072,300	13,072,300		11,973,500	13,498,500	1,525,000	12,593,400	20,887,400	8,294,000
Restricted Funds	1,758,700	1,758,700		1,785,600	2,585,600	800,000	1,785,600	2,085,600	300,000
Federal Funds	52,430,800	52,430,800		55,564,200	55,564,200		55,564,200	55,564,200	
Regular Total Funds	67,261,800	67,261,800		69,323,300	71,648,300	2,325,000	69,943,200	78,537,200	8,594,000
Use of Continuing									
TOTAL FUNDS	67,261,800	67,261,800		69,323,300	71,648,300	2,325,000	69,943,200	78,537,200	8,594,000
II. EXPENDITURE CATEGORY									
Personnel Costs	5,429,200	5,429,200		5,762,500	5,762,500		5,912,300	5,912,300	
Operating Expenses	983,500	983,500		1,051,400	1,051,400		1,053,500	1,053,500	
Grants, Loans, Benefits	60,849,100	60,849,100		62,509,400	64,834,400	2,325,000	62,509,400	63,309,400	800,000
Debt Service							468,000	8,262,000	7,794,000
TOTAL EXPENDITURES	67,261,800	67,261,800		69,323,300	71,648,300	2,325,000	69,943,200	78,537,200	8,594,000
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	13,072,300	13,072,300		11,715,600	11,715,600		11,813,000	11,813,000	
Restricted Funds	1,758,700	1,758,700		1,758,700	1,758,700		1,758,700	1,758,700	
Federal Funds	52,430,800	52,430,800		52,430,800	52,430,800		52,430,800	52,430,800	
Regular Total Funds	67,261,800	67,261,800		65,905,100	65,905,100		66,002,500	66,002,500	
Use of Continuing									
TOTAL BASE LEVEL	67,261,800	67,261,800		65,905,100	65,905,100		66,002,500	66,002,500	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund				257,900	1,782,900	1,525,000	780,400	9,074,400	8,294,000
Restricted Funds				26,900	826,900	800,000	26,900	326,900	300,000
Federal Funds				3,133,400	3,133,400		3,133,400	3,133,400	
TOTAL ADDITIONAL				3,418,200	5,743,200	2,325,000	3,940,700	12,534,700	8,594,000
V. ADDITIONAL BUDGET ITEMS									
1 EXPAN GOLD- Kentucky Community Development Office									
ABR112A0008 Provide additional funds for operating expenses.									
General Fund				38,700	38,700		46,900	46,900	
Project Total				38,700	38,700		46,900	46,900	

A - General Government

Operating Budget

Governors Office for Local Development

Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
2 EXPAN GOLD- Office of Financial Management & Administration								
ABR112A0005	Provide additional funds for operating expenses.							
General Fund			32,500	32,500		39,400	39,400	
Project Total			32,500	32,500		39,400	39,400	
3 EXPAN GOLD- Commissioners Office								
ABR112A0003	Provide additional funds for operating expenses.							
General Fund			48,200	48,200		58,400	58,400	
Project Total			48,200	48,200		58,400	58,400	
4 EXPAN GOLD- Office of Field Services								
ABR112A0006	Provide additional funds for operating expenses.							
General Fund			66,000	66,000		79,900	79,900	
Project Total			66,000	66,000		79,900	79,900	
5 EXPAN GOLD- Office of Grants								
ABR112A0004	General Fund for additional operating , Agency Revenues for Body Armor Program, Federal Funds for CDBG program.							
General Fund			72,500	72,500		87,800	87,800	
Restricted Funds			26,900	26,900		26,900	26,900	
Federal Funds			3,133,400	3,133,400		3,133,400	3,133,400	
Project Total			3,232,800	3,232,800		3,248,100	3,248,100	
6 CONT Joint Funding Agreement								
ABR112A0025	Provide additional General Fund support for administration of the Area Development Districts.							
General Fund				500,000	500,000		500,000	500,000
Project Total				500,000	500,000		500,000	500,000
7 NEW Debt Service - Owenton/Owen County Natural Gas Line Capital Project.								
ABR112A0026	Provide General Fund debt service for \$5.0 million Bond project, the Owenton/Owen Co. Natural Gas Line.							
General Fund							234,000	234,000
Project Total							234,000	234,000
8 NEW 12 Multi-County Regional Industrial Park Authorities								
ABR112A0029	Provide Restricted Funds to be divided equally among the 12 multi-co. regional industrial park authorities for maint., marketing, insurance. Funds from LGEDF Multi-Co. Fund.							
Restricted Funds				300,000	300,000		300,000	300,000
Project Total				300,000	300,000		300,000	300,000

A - General Government

Operating Budget

Governors Office for Local Development

			Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
			Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
9	NEW	Buckhorn Childrens Home									
ABR112A0031 Provide Restricted Funds from the LGEDF Multi-Co. Fund for a grant.											
Restricted Funds											
Project Total											
10	NEW	Jessamine County Fiscal Court - Building Restoration in Nicholasville									
ABR112A0039 Provide General Fund grant											
General Fund											
Project Total											
11	NEW	Chamber of Commerce/Vision 2015 Northern Kentucky Encyclopedia									
ABR112A0043 Provide General Fund grant											
General Fund											
Project Total											
12	NEW	Scott County Fiscal Court - Buffalo Park Improvement and Infrastructure									
ABR112A0050 Provide General Fund grant											
General Fund											
Project Total											
13	NEW	Warren County - Transpark - Rail Spur									
ABR112A0061 Provide General Fund debt service for \$4,500,000 Bond Funds.											
General Fund										422,000	422,000
Project Total										422,000	422,000
14	NEW	City of Covington - Timesstar Commons - Planning									
ABR112A0063 Provide General Fund grant.											
General Fund										250,000	250,000
Project Total										250,000	250,000
15	NEW	City of Ludlow - Municipal Meeting Center									
ABR112A0090 Provide General Fund grant											
General Fund										225,000	225,000
Project Total										225,000	225,000
16	NEW	Debt Service									
ABR112A0010 Provide debt service for \$5 million Bond Funds for the Community Economic Growth Grant Program.											
General Fund										468,000	(468,000)
Project Total										468,000	(468,000)

A - General Government

Operating Budget

Governors Office for Local Development

			Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
			Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
17	NEW	Community Development Fund Projects									
ABR112A0096		Provide debt service for a pool of Bond Funded projects totaling \$75,658,000.									
General Fund										7,045,000	7,045,000
Project Total										7,045,000	7,045,000
18	NEW	Debt Service - Louisville Zoo - Glacier Run									
ABR112A0097		Provide General Fund debt service of \$561,000 in fiscal year 2007-2008 to support \$6.0 million Bond Funds. This project was vetoed by the Governor; therefore, these funds will lapse to the credit of the General Fund.									
General Fund										561,000	561,000
Project Total										561,000	561,000
TOTAL ADDITIONAL						3,418,200	5,743,200	2,325,000	3,940,700	12,534,700	8,594,000

TRANSFERS TO THE GENERAL FUND

Governors Office for Local Development

Agency Revenue Fund	1,817,800	(1,817,800)
TOTAL	1,817,800	(1,817,800)

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BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes transfers from the Office of the Commissioner, Restricted Funds of \$296,200 and from the Office of Financial Management, Restricted Funds of \$1,521,600 in fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part I, Operating Budget includes language provisions that direct:

"Flood Control Matching Fund Project Review: The Governor's Office for Local Development shall transmit a copy of the application for a flood-related project to be funded from the flood control matching fund to the Environmental and Public Protection Cabinet with a request for a review of the project pursuant to KRS Chapter 151."

"Community Economic Growth Grant Program: Included in the above General Fund appropriation is \$468,000 in fiscal year 2007-2008 to provide new debt service for the Community Economic Development Program as set forth in Part II, Capital Projects Budget, of this Act. The grant program is created to assist counties, cities, local health departments, special districts, or local school districts with funding of projects that will enhance the economic development of their community.

The Community Economic Growth Grant Program shall be administered by the Governor's Office for Local Development and maintained in the State Treasury. The department may receive state appropriations, gifts, grants, and federal funds that shall be disbursed by the State Treasurer upon the warrant of the Commissioner of the Governor's Office for Local Development.

Notwithstanding KRS 45.229, any funds remaining at the end of a fiscal year shall not lapse and shall be available for expenditure in the subsequent fiscal year.

Moneys in the fund shall be used for capital projects that contribute to community or industrial development in the Commonwealth. Capital projects eligible for financing out of the fund may include but not be limited to:

- (a) The construction, reconstruction, renovation, and maintenance of buildings and other improvements to real estate and the architectural, engineering, legal, and other expenses required;
- (b) The acquisition of real property and interests in real property;

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- (c) The purchase of major equipment;
- (d) Industrial site development projects, including land reclamation, clearing, grading, draining, landscaping, and construction of walkways and fences;
- (e) The extension, installation, and upgrading of water, gas, sewer, and electrical utilities to public facilities and industrial sites;
- (f) To match or use in combination with funds obtained from other sources for an eligible capital improvement project.

Any county, city, local health department, special district, or local school district governing body shall submit proposals through its Area Development District for consideration by the Commissioner of the Governor's Office for Local Development. The Area Development District shall review each proposal and forward the proposal to the Commissioner of the Governor's Office for Local Development for final consideration and action.

Project proposals shall include: a detailed description of the project; a statement of the public benefit derived from the project; design plans and specifications, if applicable; an itemized estimate of the cost of the project; source of other funds or in-kind match; and other information that the Governor's Office for Local Development may require.

Annually, by October 1 each year, the Commissioner of the Governor's Office for Local Development shall report on this program to the Interim Joint Committee on Appropriations and Revenue."

The State/Executive Branch Budget Bill, Part I, Operating Budget provides General Fund appropriation of \$468,000 in fiscal year 2007-2008 for debt service on \$5,000,000 Bond Funds for the Community Economic Development Growth Grant Program in the Capital Budget; General Fund appropriation of \$257,900 in fiscal year 2006-2007 and \$312,400 in fiscal year 2007-2008 for additional operating funds; Restricted Funds of \$26,900 in each fiscal year for the Body Armor Program; and Federal Funds of \$3,133,400 in each fiscal year for the Community Development Block Grant.

Included in the Baseline Budget of the State/Executive Branch Budget Bill, Part I, Operating Budget is General Fund appropriation of \$250,000 each fiscal year for the River Park Center in Owensboro, \$100,000 each fiscal year for the Richmond Arts Center, \$1.0 million each fiscal year for the Trover Clinic (these funds were derived from coal severance revenues), \$95,500 each fiscal year for the Chase Municipal Law Center, \$2.0 million each fiscal year for the Renaissance Kentucky Cities program.

Also provided in the State/Executive Branch Budget Bill, Part I, Operating Budget is General Fund appropriation of \$669,700 in fiscal year 2006-2007 and \$728,000 in fiscal year 2007-2008, derived from coal severance revenues, for the administrative costs associated with managing the Local Government Economic Development Fund (LGEDF) single county grants.

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GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following changes:

The General Assembly does not provide funding for the Community Economic Growth Grant Program.

The General Assembly provides additional General Fund and Restricted Funds support as indicated below in the additional language provisions.

The General Assembly amends the State/Executive Branch Budget Bill, Part I, Operating Budget, to include the following language provisions:

"Owenton/Owen County Natural Gas Line Project: Included in the above General Fund appropriation is \$234,000 in fiscal year 2007-2008 to provide new debt service for the Owenton/Owen County Natural Gas Line Project as set forth in Part II, Capital Projects Budget, of this Act."

"Richmond Arts Council: Included in the above General Fund appropriation is \$100,000 in fiscal year 2006-2007 and \$100,000 in fiscal year 2007-2008 for a grant to the Richmond Arts Council."

"Support of the 12 Multicounty Regional Industrial Park Authorities: Included in the above Restricted Funds appropriation is \$300,000 in fiscal year 2006-2007 and \$300,000 in fiscal year 2007-2008 in support of the 12 multicounty regional industrial park authorities. Funds shall be distributed equally to the 12 multicounty regional industrial park authorities for marketing and maintenance of the industrial parks and the procurement of property and casualty insurance on the parks."

"Buckhorn Children's Home: Included in the above Restricted Funds appropriation is \$500,000 in fiscal year 2006-2007 for a grant to the Buckhorn Children's Home."

"Prior Year Funded Community Development Projects: Notwithstanding any statutory provision or agreement between a state agency and any local government to the contrary, any fund balance remaining in any Community Development Project appropriated in 2000 Ky. Acts ch. 549, Part II, Section R, remain authorized and may be retained by the local entity and expended in a manner consistent with the intent and purpose of the appropriation. The Secretary of the Finance and Administration Cabinet, pursuant to KRS 48.500, shall make any determination necessary to effect this provision."

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"Debt Service - Warren County Fiscal Court - Transpark - Rail Spur: Included in the above General Fund appropriation is \$422,000 in fiscal year 2007-2008 for debt service to support \$4,500,000 Bond Funds for the Warren County Fiscal Court Transpark, for Rail Spur and Infrastructure Improvements, as set forth in Part II, Capital Projects Budget, of this Act."

"Chamber of Commerce/Vision 2015 Northern Kentucky Encyclopedia: Included in the above General Fund appropriation is \$100,000 in fiscal year 2006-2007 for a grant to Chamber of Commerce/Vision 2015 Northern Kentucky Encyclopedia."

"Scott County Fiscal Court - Buffalo Park Improvement and Infrastructure: Included in the above General Fund appropriation is \$150,000 in fiscal year 2006-2007 for a grant to Scott County Fiscal Court for the Buffalo Park Improvement and Infrastructure."

"City of Covington - Timestar Commons - Planning: Included in the above General Fund appropriation is \$250,000 in fiscal year 2006-2007 for a grant to the City of Covington for Timestar Commons planning."

"City of Ludlow - Municipal Meeting Center: Included in the above General Fund appropriation is \$225,000 in fiscal year 2006-2007 for a grant to the City of Ludlow for Phases I through III of the upgrade and renovation of the Municipal Meeting Center."

"Jessamine County Fiscal Court - Building Restoration in Nicholasville: Included in the above General Fund appropriation is \$300,000 in fiscal year 2006-2007 for a grant to Jessamine County Fiscal Court for building restoration in Nicholasville."

"Debt Service - Community Development Fund Projects: Included in the above General Fund appropriation is \$7,045,000 in fiscal year 2007-2008 for debt service to support \$75,658,000 in Bond Funds for the Community Development Fund Projects, as set forth in Part II, Capital Projects Budget, of this Act."

"Debt Service - Louisville Zoo - Glacier Run: Included in the above General Fund appropriation is \$561,000 in fiscal year 2007-2008 for debt service on \$6,000,000 Bond Funds for the Louisville Zoo - Glacier Run project as set forth in Part II, Capital Projects Budget, of this Act."

The General Assembly does not include the language provision relating to the Community Economic Growth Grant Program.

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The General Assembly amends the State/Executive Branch Budget Bill, Part II, Capital Budget, by not providing for the Community Economic Growth Grant Program.

The General Assembly amends the State/Executive Branch Budget Bill, Part II, Capital Budget, to include funding for the Owenton/Owen Owen County Natural Gas Line, Warren County Fiscal Court - Transpark - Rail Spur, Community Development Fund Projects and the Louisville Zoo - Glacier Run.

The General Assembly amends Part V, Funds Transfer, by deleting the Agency Revenue Fund transfer of \$1,817,800 in fiscal year 2005-2006.

The Governor of the Commonwealth vetoes, in part, the following:

Partial Veto # 4 of HB 380 - *"I, Ernie Fletcher, Governor of the Commonwealth of Kentucky pursuant to the authority granted under Section 88 of the Kentucky Constitution, do hereby veto the following parts:*

Page 12, line 27, in its entirety.

Page 13, lines 1 through 3, in their entirety....

...Page 158, lines 26 through 27, in their entirety....

...These parts represent capital projects authorized for bond financing. I am vetoing these projects because it is my belief that the Commonwealth cannot afford to sustain the debt that would have to be incurred to fund them without jeopardizing its credit rating and financial future. To fund these projects would limit the Commonwealth's ability to adequately fund its operating expenses in the short and long term. The overall level of debt of the Commonwealth has ballooned in recent years. Record levels of debt were approved in both the 2005 General Assembly and the 2006 General Assembly. In comparison to other states, the debt per capita for Kentucky has increased substantially while most states have held constant or reduced their relative debt levels. I do not take issue with the merit of any one of these projects, or their ability to have a positive impact on our Commonwealth. My concern is the overall level of debt that we will rely on our children and grandchildren to honor. The credit rating services closely review the degree to which the Commonwealth can meet recurring expenditures with recurring revenues. I am concerned about the structural imbalance in the operating budget. However, due to the structure of the appropriations Act, there is limited ability to impact the appropriation levels in the budget without jeopardizing entire programs. Many of the projects vetoed herein were only provided with a half year of debt service in the biennium, adding to the structural imbalance that will have to be addressed in the succeeding biennial budget. The debt

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Local Government

service for these capital projects represents \$11,076,000 in General Fund appropriations in fiscal year 2007-2008. These appropriations will lapse to the General Fund Surplus account."

A - General Government

Capital Budget

Governors Office for Local Development

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE									
General Fund				800,000	21,450,800	20,650,800	800,000	9,253,000	8,453,000
Restricted Funds				700,000	700,000		700,000	700,000	
Bond Funds				5,000,000	85,158,000	80,158,000			
Investment Income				500,000	500,000		500,000	500,000	
TOTAL CAPITAL				7,000,000	107,808,800	100,808,800	2,000,000	10,453,000	8,453,000

II. CAPITAL PROJECTS

1 Flood Control Matching Fund/State Owned Dam Repair Pool

PRJ112A1387

General Fund	800,000	800,000	800,000	800,000
Restricted Funds	700,000	700,000	700,000	700,000
Investment Income	500,000	500,000	500,000	500,000
Project Total	2,000,000	2,000,000	2,000,000	2,000,000

2 Owenton/Owen County Natural Gas Line

PRJ112A1397

Bond Funds	5,000,000	5,000,000
Project Total	5,000,000	5,000,000

3 Warren County Fiscal Court - Transpark - Rail Spur

PRJ112A1421

Bond Funds	4,500,000	4,500,000
Project Total	4,500,000	4,500,000

4 Franklin County Lease

PRJ112A1394

General Fund**Project Total**

5 Leslie Co - 6 Volunteer Fire Dept - Equip & Oper (reauthorize/reallocate)

PRJ112A1395

General Fund**Project Total**

A - General Government

Capital Budget

Governors Office for Local Development

		Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
		Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
6	Community Economic Growth Grant Program									
PRJ112A1393										
Bond Funds					5,000,000		(5,000,000)			
Project Total					5,000,000		(5,000,000)			
7	Community Development Fund Projects									
PRJ112A1435										
General Fund						20,650,800	20,650,800		8,453,000	8,453,000
Bond Funds						75,658,000	75,658,000			
Project Total						96,308,800	96,308,800		8,453,000	8,453,000
8	Louisville Zoo - Glacier Run (VETOED BY GOVERNOR)									
PRJ112A1437										
Bond Funds										
Project Total										
TOTAL CAPITAL					7,000,000	107,808,800	100,808,800	2,000,000	10,453,000	8,453,000

Note: Boxed figure denotes enacted amount that was vetoed by the Governor and is not included in the totals.

A - General Government

Operating Budget

Special Funds

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	97,794,800	97,794,800		95,062,100	105,062,100	10,000,000	94,370,500	102,706,500	8,336,000
Regular Total Funds	97,794,800	97,794,800		95,062,100	105,062,100	10,000,000	94,370,500	102,706,500	8,336,000
Use of Continuing									
TOTAL FUNDS	97,794,800	97,794,800		95,062,100	105,062,100	10,000,000	94,370,500	102,706,500	8,336,000
II. EXPENDITURE CATEGORY									
Grants, Loans, Benefits	97,794,800	97,794,800		95,062,100	105,062,100	10,000,000	94,370,500	102,706,500	8,336,000
TOTAL EXPENDITURES	97,794,800	97,794,800		95,062,100	105,062,100	10,000,000	94,370,500	102,706,500	8,336,000
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	97,794,800	97,794,800		95,062,100	105,062,100	10,000,000	94,370,500	102,706,500	8,336,000
Regular Total Funds	97,794,800	97,794,800		95,062,100	105,062,100	10,000,000	94,370,500	102,706,500	8,336,000
Use of Continuing									
TOTAL BASE LEVEL	97,794,800	97,794,800		95,062,100	105,062,100	10,000,000	94,370,500	102,706,500	8,336,000
VI. EXPENDITURES BY UNIT									
Local Government Economic Assistance Fund									
General Fund	52,131,000	52,131,000		52,535,600	52,535,600		51,593,100	51,443,100	(150,000)
Local Government Economic Development Fund									
General Fund	44,854,100	44,854,100		41,716,800	51,716,800	10,000,000	41,967,700	50,453,700	8,486,000
Area Development Fund									
General Fund	809,700	809,700		809,700	809,700		809,700	809,700	
TOTAL	97,794,800	97,794,800		95,062,100	105,062,100	10,000,000	94,370,500	102,706,500	8,336,000
TRANSFERS TO THE GENERAL FUND									
Local Government Economic Development Fund									
Multi-County Fund (KRS 42.4588)				7,450,000	7,450,000		7,450,000	15,599,000	8,149,000
TOTAL				7,450,000	7,450,000		7,450,000	15,599,000	8,149,000

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Local Government - Special Funds

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a transfer from the Local Government Economic Development Fund, Multi-County Fund, in the amount of \$7,450,000 in each fiscal year for debt service on prior year Infrastructure for Economic Development Fund for Coal Producing Counties Bond Funded projects.

The State/Executive Branch Budget Bill, Part I, Operating Budget includes language provisions that direct:

"Coal Severance Tax Collections Calculations and Transfers: The above appropriations from the General Fund are based on the official estimate presented by the Office of State Budget Director for coal severance tax collections during the biennium, distributed in accordance with KRS 42.450 to 42.495."

"Trover Clinic Grant: Notwithstanding KRS 42.4582 and 42.4585, the quarterly calculation and transfer of the funds shall be made only after each quarterly installment of the annual appropriation of \$1,000,000 in fiscal year 2006-2007 and \$1,000,000 in fiscal year 2007-2008 has been credited to the Trover Clinic Grant within the Governor's Office for Local Development."

"Community Development Office: Notwithstanding KRS 42.4592, the quarterly calculation of the allocation of moneys to coal-producing counties through the Local Government Economic Development Fund shall be made only after each quarterly installment of the annual appropriation of \$669,700 in fiscal year 2006-2007 and \$728,000 in fiscal year 2007-2008 is appropriated as General Fund moneys to the Community Development Office in the Governor's Office for Local Development."

"Kentucky Infrastructure Authority: Notwithstanding KRS 42.4592, the quarterly calculation of the allocation of moneys to coal-producing counties through the Local Government Economic Development Fund shall be made only after each quarterly installment of the annual appropriation of \$370,000 in fiscal year 2006-2007 and \$311,700 in fiscal year 2007-2008 is appropriated as General Fund moneys to the Kentucky Infrastructure Authority."

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Local Government - Special Funds

"Need-Based Scholarship Fund: Notwithstanding KRS 42.4592, the quarterly calculation of the allocation of moneys to coal-producing counties through the Local Government Economic Development Fund shall be made only after each quarterly installment of the annual appropriation of \$5,000,000 in fiscal year 2006-2007 and \$5,000,000 in fiscal year 2007-2008 is appropriated as General Fund moneys to the Kentucky Higher Education Assistance Authority."

"Tourism Marketing Program: Notwithstanding KRS 42.4588, \$1,000,000 in fiscal year 2006-2007 and \$1,000,000 in fiscal year 2007-2008 shall be transferred from the Local Government Economic Development Fund, Multi-County Fund, to the Tourism Marketing Program within the Commerce Cabinet."

"Read to Achieve: Notwithstanding KRS 42.4592, the quarterly calculation of the allocation of moneys to coal-producing counties through the Local Government Economic Development Fund shall be made only after each quarterly installment of the annual appropriation of \$8,000,000 in fiscal year 2006-2007 and \$8,000,000 in fiscal year 2007-2008 is appropriated as General Fund moneys to the Read to Achieve Program within the Department of Education."

"Drug Courts: Notwithstanding KRS 42.4592, the quarterly calculation of the allocation of moneys to coal-producing counties through the Local Government Economic Development Fund shall be made only after each quarterly installment of the annual appropriation of \$1,000,000 in fiscal year 2006-2007 and \$1,000,000 in fiscal year 2007-2008 is appropriated as General Fund moneys to the Drug Courts Program in the Office of Drug Control Policy, Justice Administration budget unit. Notwithstanding KRS 42.4588, \$1,000,000 in fiscal year 2006-2007 and \$1,000,000 in fiscal year 2007-2008 shall be transferred from the Local Government Economic Development Fund, Multi-County Fund, to the Drug Court Program in the Office of Drug Control Policy, Justice Administration budget unit."

"Kentucky Wood Products Competitiveness Corporation: Notwithstanding KRS 42.4586, no funds shall be transferred to the Secondary Wood Products Development Fund."

"Kentucky Workers' Compensation Funding Commission: Notwithstanding KRS 342.122(1)(c), no General Fund appropriation is provided to the Kentucky Workers' Compensation Funding Commission in fiscal year 2006-2007 and fiscal year 2007-2008.

"Energy Research and Development Fund: Notwithstanding KRS 42.4588, \$3,500,000 in fiscal year 2006-2007 and \$3,500,000 in fiscal year 2007-2008 shall be transferred from the Local Government Economic Development Fund to the Office for Energy Policy

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Local Government - Special Funds

within the Commerce Cabinet as General Fund moneys. These funds shall be used for clean coal and new combustion technology research projects and shall be targeted solely to Kentucky's Local Government Economic Development Fund-eligible counties."

"School Facilities Construction Commission: Notwithstanding KRS 42.4592, the quarterly calculation of the allocation of moneys to coal-producing counties through the Local Government Economic Development Fund in fiscal year 2006-2007 shall be made only after funds totaling \$4,617,900, and in fiscal year 2007-2008 shall be made only after funds totaling \$4,617,900, is appropriated as General Fund moneys to the School Facilities Construction Commission to provide debt service to support previously authorized bonds."

"Kentucky Infrastructure Authority: Notwithstanding KRS 42.4592, the quarterly calculation of the allocation of moneys to coal-producing counties through the Local Government Economic Development Fund shall be made only after each quarterly installment of the annual appropriation of \$4,091,900 in fiscal year 2006-2007 and \$4,091,900 in fiscal year 2007-2008 is appropriated as General Fund moneys to the Finance and Administration Cabinet, Debt Service budget unit to provide General Fund debt service to support previously authorized bonds for the Water and Sewer Resources Development Fund for Coal Producing Counties."

"KIA Infrastructure for Economic Development Fund for Coal-Producing Counties: Notwithstanding KRS 42.4588, funds totaling \$7,450,000 in fiscal year 2006-2007 and \$7,450,000 in fiscal year 2007-2008 shall be transferred from the Local Government Economic Development Fund, Multi-County Fund, to the General Fund to be used by the Finance and Administration Cabinet Debt Service budget unit to support previously authorized bonds for the Infrastructure for Economic Development Fund for Coal-Producing Counties, Bond Pool."

"Debt Service: All necessary debt service amounts shall be appropriated from the General Fund and shall be fully paid regardless of whether there are sufficient moneys available to be transferred from coal severance tax-supported funding program accounts to other accounts of the General Fund."

"Flood Matching/State Owned Dam Repair Pool: Notwithstanding KRS 42.4592, the quarterly calculation of the allocation of moneys to coal-producing counties through the Local Government Economic Development Fund shall be made only after each quarterly installment of the annual appropriation of \$800,000 in fiscal year 2006-2007 and \$800,000 in fiscal year 2007-2008 is appropriated as General Fund moneys to the Governor's Office for Local Development.

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Local Government - Special Funds

Notwithstanding KRS 42.4588, \$700,000 in fiscal year 2006-2007 and \$700,000 in fiscal year 2007-2008 shall be transferred from the Local Government Economic Development Fund, Multi-County Fund, to the Flood Matching/State Owned Dam Repair Pool within the Governor's Office for Local Development."

"Osteopathic Medicine Scholarship Program: The transfer of moneys from the General Fund to the Local Government Economic Development Fund shall be made after the transfer to the Osteopathic Medicine Scholarship Program has been made pursuant to KRS 164.7891(11) and (12) in the amount of \$1,024,300 in fiscal year 2006-2007 and \$1,024,300 in fiscal year 2007-2008, within the Kentucky Higher Education Assistance Authority."

"Operation Unite: Notwithstanding KRS 42.4588, funds totaling \$1,500,000 in fiscal year 2006-2007 and \$1,500,000 in fiscal year 2007-2008 shall be transferred from the Local Government Economic Development Fund, Multi-County Fund, to the Office of Drug Control Policy for Operation Unite in relation to the Federal Task Force on Drug Abuse."

"Mining Engineering Scholarship Program: Notwithstanding KRS 42.4592, the quarterly calculation of the allocation of moneys to coal-producing counties through the Local Government Economic Development Fund shall be made only after each quarterly installment of the annual appropriation of \$200,000 in fiscal year 2006-2007 and \$200,000 in fiscal year 2007-2008 is appropriated as General Fund moneys to the University of Kentucky for the Mining Engineering Scholarship Program."

"404 Permitting Program: Notwithstanding KRS 42.4588, \$300,000 in fiscal year 2006-2007 and \$300,000 in fiscal year 2007-2008 shall be transferred from the Local Government Economic Development Fund, Multi-County Funds to the U.S. Clean Water Act section for 404 Permitting Program Environmental and Public Protection Cabinet, Division of Water. These funds will only be made available after the Commonwealth assumes primacy over the 404 Permitting Program."

"Wildlife/Elk Herd Interpretive Center: Notwithstanding KRS 42.4588, \$3,000,000 in fiscal year 2007-2008 shall be transferred from the Local Government Economic Development Fund, Multi-County Fund, to the Department of Fish and Wildlife Resources for the Wildlife/Elk Herd Interpretive Center as set forth in Part II, Capital Projects Budget, of this Act."

"School Technology: Notwithstanding 42.4588, \$5,000,000 in fiscal year 2006-2007 and \$5,000,000 in fiscal year 2007-2008 shall be transferred from the Local Government Economic Development Fund, Multi-County Fund, to the Office of Operations and Support Services within the Department of Education for school technology purposes."

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Local Government - Special Funds

"Parameters for County Flexibility: Notwithstanding KRS 42.4588(2), Local Government Economic Development Fund allocations may be used to support the nonrecurring investments in public health and safety, economic development, public infrastructure, information technology development and access, and public water and wastewater development with the concurrence of both the respective fiscal court and the Governor's Office for Local Development or the Kentucky Infrastructure Authority, as appropriate."

"Appropriation Limit: Notwithstanding KRS 48.185, funds appropriated from the General Fund for the Area Development Fund shall be limited to these amounts."

GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following changes:

The General Assembly amends Part I, Operating Budget, by reducing General Fund support \$150,000 in fiscal year 2007-2008 for the Local Government Economic Assistance Fund.

The General Assembly amends Part I, Operating Budget, by increasing General Fund support \$10,000,000 in fiscal year 2006-2007 and \$8,486,000 in fiscal year 2007-2008 for the Local Government Economic Development Fund.

The General Assembly provides General Fund support totaling \$1,000,000 in fiscal year 2007-2008 for the Pharmacy Scholarship Fund, from Coal Severance Receipts.

The General Assembly reduces General Fund support totaling \$4,000,000 in each fiscal year for the Read to Achieve Program, from the Local Government Economic Development Fund.

The General Assembly reduces General Fund support totaling \$1,000,000 in each fiscal year for the Drug Courts, from the Local Government Economic Development Fund.

The General Assembly provides General Fund debt service support totaling \$1,164,000 in fiscal year 2007-2008 from the Local Government Economic Development Fund and \$8,149,000 in fiscal year 2007-2008 from the Multi-County Fund, for the 2006-2008 budget, KIA Infrastructure for Economic Development Fund - Coal Producing Counties Bond Funded Projects.

The General Assembly does not provide General Fund support for the Needs Based Scholarship Fund.

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Local Government - Special Funds

The General Assembly provides, from the Multi-County Fund, \$500,000 in fiscal year 2006-2007 for the Buckhorn Children's Home.

The General Assembly provides, from the Multi-County Fund, \$300,000 in each fiscal year, for the 12 Multi-County Regional Industrial Park Authorities to be divided equally.

The General Assembly increases funding from the Multi-County Fund by \$300,000 in fiscal year 2006-2007 and \$800,000 in fiscal year 2007-2008 for the Drug Courts.

The General Assembly does not provide funding for the Wildlife/Elk Herd Interpretive Center.

The General Assembly reduces funding from the Multi-County Fund by a total of \$250,000 in each fiscal year for Operation Unite.

The General Assembly provides, from the Multi-County Fund, \$250,000 in fiscal year 2007-2008 for the Kentucky Geological Survey.

The General Assembly amends the State/Executive Branch Budget Bill, Part I, Operating Budget, to include the following language provision changes:

"Tourism Marketing Program: Notwithstanding KRS 42.4588, \$1,000,000 in fiscal year 2006-2007 and \$1,000,000 in fiscal year 2007-2008 shall be transferred from the Local Government Economic Development Fund, Multi-County Fund, to the Tourism Marketing Program within the Commerce Cabinet. Fees for professional artists and entertainers performing on the Kentucky Music Trail shall be paid from the Tourism Marketing Program."

"Read to Achieve: Notwithstanding KRS 42.4592, the quarterly calculation of the allocation of moneys to coal-producing counties through the Local Government Economic Development Fund shall be made only after each quarterly installment of the annual appropriation of \$4,000,000 in fiscal year 2006-2007 and \$4,000,000 in fiscal year 2007-2008 is appropriated as General Fund moneys to the Read to Achieve Program within the Department of Education."

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Local Government - Special Funds

"Drug Courts: Notwithstanding KRS 42.4588, \$1,300,000 in fiscal year 2006-2007 and \$1,800,000 in fiscal year 2007-2008 shall be transferred from the Local Government Economic Development Fund, Multi-County Fund, to the Drug Court Program in the Office of Drug Control Policy, Justice Administration budget unit."

"Energy Research and Development Fund: Notwithstanding KRS 42.4588, \$3,500,000 in fiscal year 2006-2007 and \$3,500,000 in fiscal year 2007-2008 shall be transferred from the Local Government Economic Development Fund to the Office of Energy Policy within the Commerce Cabinet as General Fund moneys. These funds shall be used for research projects relating to clean coal, new combustion technology, thin-seam coal extraction research, synthetic natural gas produced from coal through gasification processes, and the development of alternative transportation fuels produced by processes that convert coal or biomass resources or extract oil from oil shale and shall be targeted solely to Kentucky's Local Government Economic Development Fund-eligible counties. The Office of Energy Policy shall coordinate its efforts with those of Kentucky's universities and related Kentucky Community and Technical College System programs in order to maximize Kentucky's opportunities for federal funding and receive research grants and awards from federal and other sources of funding for the development of clean coal technology, coal-to-liquid-fuel conversion, alternate transportation fuels, and biomass energy resources."

"Operation Unite: Notwithstanding KRS 42.4588, funds totaling \$1,250,000 in fiscal year 2006-2007 and \$1,250,000 in fiscal year 2007-2008 shall be transferred from the Local Government Economic Development Fund, Multi-County Fund, to the Office of Drug Control Policy for Operation Unite in relation to the Federal Task Force on Drug Abuse."

The General Assembly amends the State/Executive Branch Budget Bill, Part I, Operating Budget, to include the following language provisions:

"Support of the 12 Multicounty Regional Industrial Park Authorities: Notwithstanding KRS 42.4588, funds totaling \$300,000 in fiscal year 2006-2007 and \$300,000 in fiscal year 2007-2008 shall be transferred from the Local Government Economic Development Fund, Multi-County Fund, to the Governor's Office for Local Development to be distributed equally to the 12 multicounty regional industrial park authorities located in coal counties to be used for marketing and maintenance of the industrial parks and for procurement of property and casualty insurance on the parks. The Cabinet for Economic Development is directed to evaluate the ongoing marketing, maintenance, and insurance needs of multicounty regional industrial parks and make necessary expenditures from the Multi-County Fund to ensure viability of these parks."

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Local Government - Special Funds

"Coal Severance Tax Receipts: The appropriations of severance tax receipts made in this Act shall not lapse but shall be carried forward at the end of each fiscal year."

"Buckhorn Children's Home: Notwithstanding KRS 42.4588, funds totaling \$500,000 in fiscal year 2006-2007 shall be transferred from the Local Government Economic Development Fund, Multi-County Fund, to the Governor's Office for Local Development to be distributed as a grant to the Buckhorn Children's Home."

"Infrastructure for Economic Development Fund for Coal Producing Counties: Notwithstanding KRS 42.4592, the quarterly calculation of the allocation of moneys to coal-producing counties through the Local Government Economic Development Fund shall be made only after each quarterly installment of the annual appropriation of \$1,164,000 in fiscal year 2007-2008 is appropriated as General Fund moneys to the Kentucky Infrastructure Authority for debt service on \$100,000,000 Bond Funds for the Infrastructure for Economic Development Fund for Coal-Producing Counties. Notwithstanding KRS 42.4588, funds totaling \$8,148,000 in fiscal year 2007-2008 shall be transferred from the Local Government Economic Development Fund, Multi-County Fund, to the Kentucky Infrastructure Authority for debt service on \$100,000,000 Bond Funds for the Infrastructure for Economic Development Fund for Coal-Producing Counties."

"Industrial Park Priority: Notwithstanding KRS 42.4588(2), any county that is providing at least \$1,000,000 from their Local Government Economic Development Fund, Single County Account for an industrial park project, shall be given higher priority when applying for Local Government Economic Development Fund, Multi-County Fund dollars for the same project."

"Pharmacy Scholarship Fund: Notwithstanding KRS 42.4582 and 42.4585, the quarterly calculation and transfer of the funds in fiscal year 2007-2008 shall be made only after each quarterly installment of the annual appropriation of \$1,000,000 has been credited to the Pharmacy Scholarship Fund within the Kentucky Higher Education Assistance Authority."

"Kentucky Geological Survey: Notwithstanding KRS 42.4588, funds totaling \$250,000 in fiscal year 2007-2008 shall be transferred from the Local Government Economic Development Fund, Multi-County Fund, to the University of Kentucky for the Kentucky Geological Survey."

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Local Government - Special Funds

The General Assembly amends Part V, Funds Transfer, to include an additional \$8,149,000 from the Local Government Economic Development Fund, Multi-County Fund in fiscal year 2007-2008 for debt service on the Infrastructure for Economic Development Fund for Coal Producing Counties.

The General Assembly amends the State/Executive Branch Budget Bill, Part I, Operating Budget, to remove the language provisions pertaining to Need-Based Scholarship Fund and the Wildlife/Elk Herd Interpretive Center.

The Governor of the Commonwealth vetoes, in part, the following:

Partial Veto # 5 of HB 380 - *"I, Ernie Fletcher, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky Constitution, do hereby veto the following part:*

Page 18, line 11, after the character '.' delete the word 'The'.

Page 18, lines 12 through 14, in their entirety.

This part mandates that the Cabinet for Economic Development engage in specific evaluations of and provide the necessary funding for multicounty regional industrial parks. I am vetoing this part because state funds have already been used to purchase and develop these industrial parks, and it is the responsibility of the local owners of these industrial parks to provide these functions and to maintain their viability."

A - General Government

Operating Budget

Executive Branch Ethics Commission

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	423,000	423,000		435,000	435,000		444,000	444,000	
Restricted Funds	2,400	2,400		1,500	1,500		1,500	1,500	
Regular Total Funds	425,400	425,400		436,500	436,500		445,500	445,500	
Use of Continuing									
TOTAL FUNDS	425,400	425,400		436,500	436,500		445,500	445,500	
II. EXPENDITURE CATEGORY									
Personnel Costs	382,600	382,600		392,500	392,500		399,000	399,000	
Operating Expenses	42,800	42,800		44,000	44,000		46,500	46,500	
TOTAL EXPENDITURES	425,400	425,400		436,500	436,500		445,500	445,500	
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	360,600	360,600		361,000	361,000		360,700	360,700	
Restricted Funds	2,400	2,400		1,500	1,500		1,500	1,500	
Regular Total Funds	363,000	363,000		362,500	362,500		362,200	362,200	
Use of Continuing									
TOTAL BASE LEVEL	363,000	363,000		362,500	362,500		362,200	362,200	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund	62,400	62,400		74,000	74,000		83,300	83,300	
TOTAL ADDITIONAL	62,400	62,400		74,000	74,000		83,300	83,300	
V. ADDITIONAL BUDGET ITEMS									
1 GB Executive Branch Ethics Commission									
ABR3540001 Provide funding to support a current year appropriation to maintain current services.									
General Fund	62,400	62,400		34,000	34,000		43,300	43,300	
Project Total	62,400	62,400		34,000	34,000		43,300	43,300	
2 GB Executive Branch Ethics Commission									
ABR3540004 Provide funding to support two (2) part-time investigators.									
General Fund				40,000	40,000		40,000	40,000	
Project Total				40,000	40,000		40,000	40,000	
TOTAL ADDITIONAL	62,400	62,400		74,000	74,000		83,300	83,300	

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Executive Branch Ethics Commission

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes a current year appropriation of General Fund dollars totaling \$62,400 in fiscal year 2005-2006, and additional General Fund dollars totaling \$74,400 in fiscal year 2006-2007 and \$83,400 in fiscal year 2007-2008 above the base and defined calculations to support agency operations.

GENERAL ASSEMBLY

The General Assembly concurs with the Branch.

A - General Government

Operating Budget

Secretary of State

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	2,308,300	2,308,300		2,299,300	2,299,300		2,298,100	2,298,100	
Restricted Funds	802,900	802,900		849,200	849,200		900,000	900,000	
Regular Total Funds	3,111,200	3,111,200		3,148,500	3,148,500		3,198,100	3,198,100	
Use of Continuing									
TOTAL FUNDS	3,111,200	3,111,200		3,148,500	3,148,500		3,198,100	3,198,100	
II. EXPENDITURE CATEGORY									
Personnel Costs	2,285,900	2,285,900		2,378,400	2,378,400		2,428,000	2,428,000	
Operating Expenses	825,300	825,300		770,100	770,100		770,100	770,100	
TOTAL EXPENDITURES	3,111,200	3,111,200		3,148,500	3,148,500		3,198,100	3,198,100	
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	2,308,300	2,308,300		2,299,300	2,299,300		2,298,100	2,298,100	
Restricted Funds	802,900	802,900		849,200	849,200		900,000	900,000	
Regular Total Funds	3,111,200	3,111,200		3,148,500	3,148,500		3,198,100	3,198,100	
Use of Continuing									
TOTAL BASE LEVEL	3,111,200	3,111,200		3,148,500	3,148,500		3,198,100	3,198,100	
TRANSFERS TO THE GENERAL FUND									
Secretary of State									
Agency Revenue Fund	350,000	350,000		900,000	900,000		900,000	900,000	
TOTAL	350,000	350,000		900,000	900,000		900,000	900,000	

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Secretary of State

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a transfer from the Secretary of State, Restricted Funds of \$350,000 in fiscal year 2005-2006, \$900,000 in fiscal year 2006-2007, and \$900,000 in fiscal year 2007-2008.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes a language provision that directs:

"Carry Forward of Restricted Funds Appropriation Balance: Notwithstanding KRS 14.140(3), the above Restricted Funds appropriations shall not lapse and shall be used for the continuation of current activities within the General Administration unit and for the operations and staff of the Uniform Commercial Code Branch."

GENERAL ASSEMBLY

The General Assembly concurs with the Branch.

A - General Government

Operating Budget

Board of Elections

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	3,077,100	3,077,100		4,878,500	4,878,500		4,861,900	4,861,900	
Restricted Funds	57,100	57,100		77,600	77,600		93,900	93,900	
Federal Funds	22,800,000	22,800,000		10,000,000	10,000,000		5,628,500	5,628,500	
Regular Total Funds	25,934,200	25,934,200		14,956,100	14,956,100		10,584,300	10,584,300	
Use of Continuing	1,100,000	1,100,000							
TOTAL FUNDS	27,034,200	27,034,200		14,956,100	14,956,100		10,584,300	10,584,300	
II. EXPENDITURE CATEGORY									
Personnel Costs	930,700	930,700		961,400	961,400		950,900	950,900	
Operating Expenses	724,000	724,000		713,800	713,800		713,800	713,800	
Grants, Loans, Benefits	25,379,500	25,379,500		13,280,900	13,280,900		8,919,600	8,919,600	
TOTAL EXPENDITURES	27,034,200	27,034,200		14,956,100	14,956,100		10,584,300	10,584,300	
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	3,077,100	3,077,100		3,077,100	3,077,100		3,050,300	3,050,300	
Restricted Funds	57,100	57,100		77,600	77,600		93,900	93,900	
Federal Funds	22,800,000	22,800,000							
Regular Total Funds	25,934,200	25,934,200		3,154,700	3,154,700		3,144,200	3,144,200	
Use of Continuing	1,100,000	1,100,000							
TOTAL BASE LEVEL	27,034,200	27,034,200		3,154,700	3,154,700		3,144,200	3,144,200	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund				1,801,400	1,801,400		1,811,600	1,811,600	
Federal Funds				10,000,000	10,000,000		5,628,500	5,628,500	
TOTAL ADDITIONAL				11,801,400	11,801,400		7,440,100	7,440,100	
V. ADDITIONAL BUDGET ITEMS									
1 GB Board of Elections									
ABR1850003	Provide funding for remittance to counties at \$255 in the biennium.								
General Fund				1,801,400	1,801,400		1,811,600	1,811,600	
Project Total				1,801,400	1,801,400		1,811,600	1,811,600	
2 GB Board of Elections									
ABR1850005	Provide funding for the impact of the Help America Vote Act, by replacing lever voting machines, improving voter and poll worker education, and assisting with compliance of the ADA requirements.								
Federal Funds				10,000,000	10,000,000		5,628,500	5,628,500	
Project Total				10,000,000	10,000,000		5,628,500	5,628,500	

FB 2006-2008 FINAL BUDGET MEMORANDUM - 2006 REGULAR SESSION OF THE GENERAL ASSEMBLY**A - General Government****Operating Budget****Board of Elections**

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
TOTAL ADDITIONAL				11,801,400	11,801,400		7,440,100	7,440,100	

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Board of Elections

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes language provisions that directs:

"Help America Vote Act of 2002: Amounts above those appropriated that are necessary to match Federal Funds from the Help America Vote Act shall be deemed a necessary government expense and shall be paid from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund (KRS 48.705). Notwithstanding KRS 45.229, any unexpended balance from the General Fund appropriation necessary to match Federal Funds shall not lapse and shall carry forward to fiscal year 2006-2007 and fiscal year 2007-2008."

"Cost of Elections: Included in the above General Fund appropriation is \$3,280,900 in fiscal year 2006-2007 and \$3,291,100 in fiscal year 2007-2008 to pay the state's share of county election expenses (KRS 117.345) and the state's share of voter registration expenses (KRS 116.112(7), 116.145, and 117.343). Notwithstanding KRS 117.345(2), the maximum state payment rate is increased from the current statutory level of \$255 to \$300 per precinct per election to each precinct using voting machines. Any amount that the state is required to pay for precinct election expenses under the provisions of KRS 116.112(7), 116.145, 117.343, and 117.345 shall be deemed necessary government expenses and shall be paid from the General Fund Surplus Account (KRS 48.700) or the Budget Reserve Trust Fund Account (KRS 48.705)."

The State/Executive Branch Budget Bill, Part I, Operating Budget, provides new funding initiatives, above the base and defined calculations, in General Fund in the amount of \$1,81400 in fiscal year 2006-2007 and \$1,811,600 in fiscal year 2007-2008 to provide funds to increase the remittance to counties from \$255 to \$300. An increase in Federal Funds in the amount of \$10,000,000 in fiscal year 2006-2007 and \$5,628,500 in fiscal year 2007-2008 were provided to replace lever voting machines, improve voter and poll worker education, and comply with the American Disabilities Act requirements. In addition, Restricted funds in the amount of \$20,500 in fiscal year 2006-2007 and \$10,000 in fiscal year 2007-2008 for agency defined calculations.

Fiscal Biennium 2006-2008
Budget Modification Report

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Board of Elections

GENERAL ASSEMBLY

The General Assembly concurs with the Branch.

A - General Government

Operating Budget

Registry of Election Finance

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	1,447,300	1,447,300		1,547,100	1,547,100		1,571,700	1,571,700	
Restricted Funds	13,300	13,300							
Regular Total Funds	1,460,600	1,460,600		1,547,100	1,547,100		1,571,700	1,571,700	
Use of Continuing									
TOTAL FUNDS	1,460,600	1,460,600		1,547,100	1,547,100		1,571,700	1,571,700	
II. EXPENDITURE CATEGORY									
Personnel Costs	1,063,300	1,063,300		1,166,400	1,166,400		1,191,300	1,191,300	
Operating Expenses	397,300	397,300		380,700	380,700		380,400	380,400	
TOTAL EXPENDITURES	1,460,600	1,460,600		1,547,100	1,547,100		1,571,700	1,571,700	
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	1,447,300	1,447,300		1,472,000	1,472,000		1,490,800	1,490,800	
Restricted Funds	13,300	13,300							
Regular Total Funds	1,460,600	1,460,600		1,472,000	1,472,000		1,490,800	1,490,800	
Use of Continuing									
TOTAL BASE LEVEL	1,460,600	1,460,600		1,472,000	1,472,000		1,490,800	1,490,800	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund				75,100	75,100		80,900	80,900	
TOTAL ADDITIONAL				75,100	75,100		80,900	80,900	
V. ADDITIONAL BUDGET ITEMS									
1 GB Registry of Election Finance									
ABR0660001 Provide funding to support two (2) vacant positions.									
General Fund				75,100	75,100		80,900	80,900	
Project Total				75,100	75,100		80,900	80,900	
TOTAL ADDITIONAL				75,100	75,100		80,900	80,900	

**Fiscal Biennium 2006-2008
Budget Modification Report**

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Registry of Election Finance

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes additional funding for defined calculations with General Fund dollars in the amount of \$24,700 in fiscal year 2006-2007 and \$43,500 in fiscal year 2007-2008. Additional General Fund dollars in the amount of \$75,000 in fiscal year 2006-2007 and \$80,000 in fiscal year 2007-2008 to fund two (2) vacant positions.

GENERAL ASSEMBLY

The General Assembly concurs with the Branch.

A - General Government

Operating Budget

Attorney General

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	14,090,200	14,090,200		13,990,500	14,276,500	286,000	13,733,100	14,113,100	380,000
Restricted Funds	9,543,400	9,543,400		8,917,300	9,167,300	250,000	8,859,100	9,109,100	250,000
Federal Funds	2,281,300	2,281,300		2,437,000	2,437,000		2,531,500	2,531,500	
Regular Total Funds	25,914,900	25,914,900		25,344,800	25,880,800	536,000	25,123,700	25,753,700	630,000
Use of Continuing									
TOTAL FUNDS	25,914,900	25,914,900		25,344,800	25,880,800	536,000	25,123,700	25,753,700	630,000
II. EXPENDITURE CATEGORY									
Personnel Costs	17,303,000	17,303,000		16,855,200	17,141,200	286,000	16,576,300	16,956,300	380,000
Operating Expenses	3,181,800	3,181,800		2,687,000	2,687,000		2,669,000	2,669,000	
Grants, Loans, Benefits	5,430,100	5,430,100		5,802,600	6,052,600	250,000	5,878,400	6,128,400	250,000
TOTAL EXPENDITURES	25,914,900	25,914,900		25,344,800	25,880,800	536,000	25,123,700	25,753,700	630,000
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	14,090,200	14,090,200		13,990,500	14,276,500	286,000	13,733,100	14,113,100	380,000
Restricted Funds	9,543,400	9,543,400		8,510,800	8,510,800		8,376,800	8,376,800	
Federal Funds	2,281,300	2,281,300		2,437,000	2,437,000		2,531,500	2,531,500	
Regular Total Funds	25,914,900	25,914,900		24,938,300	25,224,300	286,000	24,641,400	25,021,400	380,000
Use of Continuing									
TOTAL BASE LEVEL	25,914,900	25,914,900		24,938,300	25,224,300	286,000	24,641,400	25,021,400	380,000
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
Restricted Funds				406,500	656,500	250,000	482,300	732,300	250,000
TOTAL ADDITIONAL				406,500	656,500	250,000	482,300	732,300	250,000
V. ADDITIONAL BUDGET ITEMS									
1 GB Attorney General - Uninsured Employers Fund									
ABR0400005 Provide funds for grant benefit costs.									
Restricted Funds				406,500	656,500	250,000	482,300	732,300	250,000
Project Total				406,500	656,500	250,000	482,300	732,300	250,000
TOTAL ADDITIONAL				406,500	656,500	250,000	482,300	732,300	250,000

TRANSFERS TO THE GENERAL FUND

Attorney General

FB 2006-2008 FINAL BUDGET MEMORANDUM - 2006 REGULAR SESSION OF THE GENERAL ASSEMBLY

A - General Government

Operating Budget

Attorney General

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
TRANSFERS TO THE GENERAL FUND									
Agency Revenue Fund	521,200	521,200							
TOTAL	521,200	521,200							

**Fiscal Biennium 2006-2008
Budget Modification Report**

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Attorney General

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a transfer from the Office of the Attorney General, Restricted Funds of \$521,200 in fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part I, Operating Budget includes language provisions that direct:

"Expert Witnesses: In addition to such funds as may be appropriated, the Office of the Attorney General may request from the Finance and Administration Cabinet, as a necessary government expense, such funds as may be necessary for expert witnesses pursuant to KRS 304.17A-095 and 367.150(8). Upon review and approval, the Secretary of the Finance and Administration Cabinet may provide up to \$275,000 for the 2006-2008 fiscal biennium for this purpose to the Office of the Attorney General. The Office of Insurance shall provide the Office of the Attorney General any available information to assist in the preparation of a rate hearing pursuant to KRS 304.17A-095."

"Annual and Sick Leave Service Credit: Notwithstanding any statutory or regulatory restrictions to the contrary, any former employee of the Unified Prosecutorial System who has been appointed to a permanent full-time position under KRS Chapter 18A shall be credited annual and sick leave based on service credited under the Kentucky Retirement Systems solely for the purpose of computation of sick and annual leave. This provision shall only apply to any new appointment or current employee as of July 1, 1998."

"Legal Services Contracts: The Office of the Attorney General may present proposals to state agencies specifying legal work that is presently accomplished through Personal Service Contracts that indicate the Office of the Attorney General's capacity to perform the work at a lesser cost. State agencies may agree to make arrangements with the Office of the Attorney General to perform the legal work and compensate the Office of the Attorney General for the legal services."

**Fiscal Biennium 2006-2008
Budget Modification Report**

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Attorney General

GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following changes:

The General Assembly provides General Fund support totaling \$286,000 in fiscal year 2006-2007 and \$380,000 in fiscal year 2007-2008 for personnel costs.

The General Assembly provides Restricted Funds support totaling \$250,000 in fiscal year 2006-2007 and in fiscal year 2007-2008 for increased benefits cost for the Uninsured Employers' Fund.

The General Assembly amends Part I, Operating Budget, language provisions as follows:

"Expert Witnesses: In addition to such funds as may be appropriated, the Office of the Attorney General may request from the Finance and Administration Cabinet, as a necessary government expense, such funds as may be necessary for expert witnesses. Upon justification of the request, the Finance and Administration Cabinet shall provide up to \$275,000 for the 2006-2008 fiscal biennium for this purpose to the Office of the Attorney General. The Office of Insurance shall provide the Office of the Attorney General any available information to assist in the preparation of a rate hearing pursuant to KRS 304.17A-095."

"Legal Services Contracts: The Office of the Attorney General may present proposals to state agencies specifying legal work that is presently accomplished through Personal Service Contracts that indicate the Office of the Attorney General's capacity to perform the work at a lesser cost. State agencies may agree to make arrangements with the Office of the Attorney General to perform the legal work and compensate the Office of the Attorney General for the legal services. Notwithstanding KRS Chapter 45A, the Office of the Attorney General may contract with outside law firms on a contingency basis."

The General Assembly adds Part I, Operating Budget, language provision as follows:

"Child Sexual Abuse License Plate Revenue: Notwithstanding KRS 186.162, the Transportation Cabinet shall review the costs related to the distribution of child victims' license plates. Any revenue received from the sale or renewal of those plates in excess of actual costs shall be transferred to the Child Victims' Trust Fund on an annual basis."

A - General Government

Capital Budget

Attorney General

Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference

I. CAPITAL PROJECT RECAP BY FUND SOURCE

General Fund

TOTAL CAPITAL

II. CAPITAL PROJECTS

1 Franklin County - Lease

PRJ0400001

General Fund

Project Total

TOTAL CAPITAL

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FB 2006-2008 FINAL BUDGET MEMORANDUM - 2006 REGULAR SESSION OF THE GENERAL ASSEMBLY

A - General Government

Operating Budget

Unified Prosecutorial System Summary

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	54,979,600	54,979,600		57,218,100	58,627,200	1,409,100	58,185,500	60,310,400	2,124,900
Restricted Funds	251,700	251,700		257,000	257,000		273,400	273,400	
Federal Funds	664,900	664,900		652,400	652,400		688,500	688,500	
Regular Total Funds	55,896,200	55,896,200		58,127,500	59,536,600	1,409,100	59,147,400	61,272,300	2,124,900
Use of Continuing									
TOTAL FUNDS	55,896,200	55,896,200		58,127,500	59,536,600	1,409,100	59,147,400	61,272,300	2,124,900

II. EXPENDITURE CATEGORY

Personnel Costs	50,394,500	50,394,500		53,529,300	54,863,400	1,334,100	54,498,100	56,548,000	2,049,900
Operating Expenses	5,466,700	5,466,700		4,591,200	4,666,200	75,000	4,642,300	4,717,300	75,000
Grants, Loans, Benefits	35,000	35,000		7,000	7,000		7,000	7,000	
TOTAL EXPENDITURES	55,896,200	55,896,200		58,127,500	59,536,600	1,409,100	59,147,400	61,272,300	2,124,900

III. BASE LEVEL BUDGET BY FUND SOURCE

General Fund	54,979,600	54,979,600		57,218,100	58,002,200	784,100	58,185,500	59,685,400	1,499,900
Restricted Funds	251,700	251,700		257,000	257,000		273,400	273,400	
Federal Funds	664,900	664,900		652,400	652,400		688,500	688,500	
Regular Total Funds	55,896,200	55,896,200		58,127,500	58,911,600	784,100	59,147,400	60,647,300	1,499,900
Use of Continuing									
TOTAL BASE LEVEL	55,896,200	55,896,200		58,127,500	58,911,600	784,100	59,147,400	60,647,300	1,499,900

IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE

General Fund					625,000	625,000		625,000	625,000
TOTAL ADDITIONAL					625,000	625,000		625,000	625,000

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A - General Government

Operating Budget

Commonwealths Attorneys

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	29,618,000	29,618,000		30,968,500	31,752,200	783,700	31,471,600	32,558,100	1,086,500
Restricted Funds	227,300	227,300		234,000	234,000		249,900	249,900	
Federal Funds	273,200	273,200		179,700	179,700		186,500	186,500	
Regular Total Funds	30,118,500	30,118,500		31,382,200	32,165,900	783,700	31,908,000	32,994,500	1,086,500
Use of Continuing									
TOTAL FUNDS	30,118,500	30,118,500		31,382,200	32,165,900	783,700	31,908,000	32,994,500	1,086,500
II. EXPENDITURE CATEGORY									
Personnel Costs	26,388,700	26,388,700		27,832,100	28,565,800	733,700	28,321,800	29,358,300	1,036,500
Operating Expenses	3,694,800	3,694,800		3,543,100	3,593,100	50,000	3,579,200	3,629,200	50,000
Grants, Loans, Benefits	35,000	35,000		7,000	7,000		7,000	7,000	
TOTAL EXPENDITURES	30,118,500	30,118,500		31,382,200	32,165,900	783,700	31,908,000	32,994,500	1,086,500
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	29,618,000	29,618,000		30,968,500	31,377,200	408,700	31,471,600	32,183,100	711,500
Restricted Funds	227,300	227,300		234,000	234,000		249,900	249,900	
Federal Funds	273,200	273,200		179,700	179,700		186,500	186,500	
Regular Total Funds	30,118,500	30,118,500		31,382,200	31,790,900	408,700	31,908,000	32,619,500	711,500
Use of Continuing									
TOTAL BASE LEVEL	30,118,500	30,118,500		31,382,200	31,790,900	408,700	31,908,000	32,619,500	711,500
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund					375,000	375,000		375,000	375,000
TOTAL ADDITIONAL					375,000	375,000		375,000	375,000
V. ADDITIONAL BUDGET ITEMS									
1 CONT Commonwealth Attorneys									
ABR030A0006 Provide additional funding for personnel and operating costs.									
General Fund					375,000	375,000		375,000	375,000
Project Total					375,000	375,000		375,000	375,000
TOTAL ADDITIONAL					375,000	375,000		375,000	375,000

**Fiscal Biennium 2006-2008
Budget Modification Report**

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Commonwealth's Attorneys

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following change:

The General Assembly increases General Fund support totaling \$783,700 in fiscal year 2006-2007 for personnel and operating expenses. This includes a base increase of \$408,700 and an additional increase of \$375,000. The General Assembly increases General Fund support totaling \$1,086,500 in fiscal year 2007-2008 for personnel and operating expenses. This includes a base increase of \$711,500 and an additional increase of \$375,000.

A - General Government

Capital Budget

Commonwealths Attorneys

Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference

I. CAPITAL PROJECT RECAP BY FUND SOURCE

General Fund

TOTAL CAPITAL

II. CAPITAL PROJECTS

1 Jefferson County - Lease

PRJ030A0001

General Fund

Project Total

TOTAL CAPITAL

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A - General Government

Operating Budget

County Attorneys

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	25,361,600	25,361,600		26,249,600	26,875,000	625,400	26,713,900	27,752,300	1,038,400
Restricted Funds	24,400	24,400		23,000	23,000		23,500	23,500	
Federal Funds	391,700	391,700		472,700	472,700		502,000	502,000	
Regular Total Funds	25,777,700	25,777,700		26,745,300	27,370,700	625,400	27,239,400	28,277,800	1,038,400
Use of Continuing									
TOTAL FUNDS	25,777,700	25,777,700		26,745,300	27,370,700	625,400	27,239,400	28,277,800	1,038,400
II. EXPENDITURE CATEGORY									
Personnel Costs	24,005,800	24,005,800		25,697,200	26,297,600	600,400	26,176,300	27,189,700	1,013,400
Operating Expenses	1,771,900	1,771,900		1,048,100	1,073,100	25,000	1,063,100	1,088,100	25,000
TOTAL EXPENDITURES	25,777,700	25,777,700		26,745,300	27,370,700	625,400	27,239,400	28,277,800	1,038,400
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	25,361,600	25,361,600		26,249,600	26,625,000	375,400	26,713,900	27,502,300	788,400
Restricted Funds	24,400	24,400		23,000	23,000		23,500	23,500	
Federal Funds	391,700	391,700		472,700	472,700		502,000	502,000	
Regular Total Funds	25,777,700	25,777,700		26,745,300	27,120,700	375,400	27,239,400	28,027,800	788,400
Use of Continuing									
TOTAL BASE LEVEL	25,777,700	25,777,700		26,745,300	27,120,700	375,400	27,239,400	28,027,800	788,400
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund					250,000	250,000		250,000	250,000
TOTAL ADDITIONAL					250,000	250,000		250,000	250,000
V. ADDITIONAL BUDGET ITEMS									
1	CONT	County Attorneys							
ABR030B0003	Provide additional funds for personnel and operating costs								
General Fund					250,000	250,000		250,000	250,000
Project Total					250,000	250,000		250,000	250,000
TOTAL ADDITIONAL					250,000	250,000		250,000	250,000

**Fiscal Biennium 2006-2008
Budget Modification Report**

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County Attorneys

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following change:

The General Assembly increases General Fund support totaling \$625,400 in fiscal year 2006-2007 for personnel and operating expenses. This includes a base increase of \$375,400 and an additional increase of \$250,000. The General Assembly increase General Fund support totaling \$1,038,400 in fiscal year 2007-2008 for personnel and operating expenses. This includes a base increase of \$788,400 and an additional increase of \$250,000.

A - General Government

Operating Budget

Treasury

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	2,008,300	2,008,300		2,171,300	2,171,300		2,210,400	2,210,400	
Restricted Funds	793,300	793,300		744,500	744,500		753,100	753,100	
Road Fund	250,000	250,000		250,000	250,000		250,000	250,000	
Regular Total Funds	3,051,600	3,051,600		3,165,800	3,165,800		3,213,500	3,213,500	
Use of Continuing									
TOTAL FUNDS	3,051,600	3,051,600		3,165,800	3,165,800		3,213,500	3,213,500	
II. EXPENDITURE CATEGORY									
Personnel Costs	2,176,900	2,176,900		2,361,600	2,361,600		2,409,300	2,409,300	
Operating Expenses	874,700	874,700		804,200	804,200		804,200	804,200	
TOTAL EXPENDITURES	3,051,600	3,051,600		3,165,800	3,165,800		3,213,500	3,213,500	
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	2,008,300	2,008,300		2,008,300	2,008,300		2,008,300	2,008,300	
Restricted Funds	793,300	793,300		744,500	744,500		753,100	753,100	
Road Fund	250,000	250,000		250,000	250,000		250,000	250,000	
Regular Total Funds	3,051,600	3,051,600		3,002,800	3,002,800		3,011,400	3,011,400	
Use of Continuing									
TOTAL BASE LEVEL	3,051,600	3,051,600		3,002,800	3,002,800		3,011,400	3,011,400	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund				163,000	163,000		202,100	202,100	
TOTAL ADDITIONAL				163,000	163,000		202,100	202,100	
V. ADDITIONAL BUDGET ITEMS									
1 GB Treasury									
ABR1250010	Provide additional operating costs related to the relocation of the administrative offices.								
General Fund				163,000	163,000		202,100	202,100	
Project Total				163,000	163,000		202,100	202,100	
TOTAL ADDITIONAL				163,000	163,000		202,100	202,100	

TRANSFERS TO THE GENERAL FUND

Treasury

Agency Revenue Fund	92,900	92,900
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FB 2006-2008 FINAL BUDGET MEMORANDUM - 2006 REGULAR SESSION OF THE GENERAL ASSEMBLY**A - General Government****Operating Budget****Treasury**

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
TOTAL	92,900	92,900							

**Fiscal Biennium 2006-2008
Budget Modification Report**

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Treasury

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part III, General Provisions, includes the following language provision:

"Sale of Abandoned Property by Treasury Department: Pursuant to KRS 393.125, the department, within three years of the receipt of abandoned property that are securities, shall sell the securities. Unclaimed securities received by the department before June 30, 2004, shall be sold by June 30, 2007, with the receipts, net of estimated claims to be paid, available for appropriation to the General Fund. Unclaimed securities received by the department after June 30, 2004, and on or before June 30, 2005, shall be sold by June 30, 2008, with the receipts, net of estimated claims to be paid, available for appropriation to the General Fund."

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a transfer from the Department of Treasury, Restricted Funds of \$92,900 in fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes language provision that directs:

"Unclaimed Property Fund: Included in the above Restricted Funds appropriation is a recurring transfer from the Unclaimed Property Fund. In each respective fiscal year of the 2006-2008 fiscal biennium, \$744,500 and \$753,100 is appropriated to provide funding for services performed by the Unclaimed Property Division of the Department of the Treasury."

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes additional General Fund in the amount of \$163,000 in fiscal year 2006-2007 and \$202,100 in fiscal year 2007-2008 for an increase in personnel and operating costs for additional rent, janitorial, maintenance, and security guard services related to the relocation of the administrative offices.

GENERAL ASSEMBLY

The General Assembly concurs with the Branch.

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A - General Government

Capital Budget

Treasury

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE									
Capital Construction Surplus				141,000	141,000		141,000	141,000	
TOTAL CAPITAL				141,000	141,000		141,000	141,000	
II. CAPITAL PROJECTS									
1	Lease - Purchase of Xerox Laser Printers - Additional								
PRJ1251395									
Capital Construction Surplus				141,000	141,000		141,000	141,000	
Project Total				141,000	141,000		141,000	141,000	
TOTAL CAPITAL				141,000	141,000		141,000	141,000	

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A - General Government

Operating Budget

Agriculture

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	19,568,600	19,568,600		19,288,100	19,803,100	515,000	19,499,400	21,529,700	2,030,300
Restricted Funds	4,588,700	4,588,700		5,416,700	4,937,200	(479,500)	4,886,700	4,548,900	(337,800)
Federal Funds	4,092,100	4,092,100		3,947,400	3,947,400		3,889,200	3,889,200	
Regular Total Funds	28,249,400	28,249,400		28,652,200	28,687,700	35,500	28,275,300	29,967,800	1,692,500
Use of Continuing	11,300	11,300							
TOTAL FUNDS	28,260,700	28,260,700		28,652,200	28,687,700	35,500	28,275,300	29,967,800	1,692,500
II. EXPENDITURE CATEGORY									
Personnel Costs	16,572,800	16,572,800		17,962,900	17,463,400	(499,500)	18,317,800	18,647,200	329,400
Operating Expenses	4,460,700	4,460,700		4,305,300	4,325,300	20,000	4,131,700	4,517,800	386,100
Grants, Loans, Benefits	6,730,900	6,730,900		6,302,700	6,817,700	515,000	5,744,500	6,259,500	515,000
Debt Service								462,000	462,000
Capital Outlay	96,300	96,300		81,300	81,300		81,300	81,300	
Construction	400,000	400,000							
TOTAL EXPENDITURES	28,260,700	28,260,700		28,652,200	28,687,700	35,500	28,275,300	29,967,800	1,692,500
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	19,568,600	19,568,600		19,288,100	19,288,100		19,499,400	19,499,400	
Restricted Funds	4,588,700	4,588,700		4,646,200	4,646,200		3,778,400	3,778,400	
Federal Funds	4,092,100	4,092,100		3,947,400	3,947,400		3,889,200	3,889,200	
Regular Total Funds	28,249,400	28,249,400		27,881,700	27,881,700		27,167,000	27,167,000	
Use of Continuing	11,300	11,300							
TOTAL BASE LEVEL	28,260,700	28,260,700		27,881,700	27,881,700		27,167,000	27,167,000	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund					515,000	515,000		2,030,300	2,030,300
Restricted Funds				770,500	291,000	(479,500)	1,108,300	770,500	(337,800)
TOTAL ADDITIONAL				770,500	806,000	35,500	1,108,300	2,800,800	1,692,500
V. ADDITIONAL BUDGET ITEMS									
1 GB Agriculture									
ABR0350003 Provide funding to support vacant positions.									
Restricted Funds				479,500		(479,500)	817,300	479,500	(337,800)
Project Total				479,500		(479,500)	817,300	479,500	(337,800)

A - General Government

Operating Budget

Agriculture

			Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
			Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
2	GB	Agriculture - Consumer Protection									
ABR0350006 Provide funding to support seven (7) new positions in the inspections area.											
Restricted Funds						291,000	291,000		291,000	291,000	
Project Total						291,000	291,000		291,000	291,000	
3	NEW	Agriculture - Agriculture Marketing and Product Promotion									
ABR0350004 Provide funding to support capital improvement grants awarded to Local Agricultural Fair Programs.											
General Fund							495,000	495,000		495,000	495,000
Project Total							495,000	495,000		495,000	495,000
4	NEW	Agriculture									
ABR0350008 Provide funding to support 16 positions and operating expenditures for a Fuel/Pesticide Testing Laboratory.											
General Fund										1,053,300	1,053,300
Project Total										1,053,300	1,053,300
5	NEW	Agriculture									
ABR0350007 Provide funding to support Lime Testing.											
General Fund							20,000	20,000		20,000	20,000
Project Total							20,000	20,000		20,000	20,000
6	NEW	Agriculture									
ABR0350009 Provide funding for debt service on bonds issued for Animal Shelters.											
General Fund										462,000	462,000
Project Total										462,000	462,000
TOTAL ADDITIONAL						770,500	806,000	35,500	1,108,300	2,800,800	1,692,500

TRANSFERS TO THE GENERAL FUND

Agriculture

Agency Revenue Fund						479,500	479,500		337,800	337,800	
TOTAL						479,500	479,500		337,800	337,800	

**Fiscal Biennium 2006-2008
Budget Modification Report**

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Agriculture

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes language provisions that direct:

"Breathitt Veterinary Center and Diagnostic Laboratories: Included in the above General Fund appropriation is \$478,500 in fiscal year 2006-2007 and \$478,500 in fiscal year 2007-2008 for the Breathitt Veterinary Center at Murray State University and \$478,500 in fiscal year 2006-2007 and \$478,500 in fiscal year 2007-2008 for the University of Kentucky for the diagnostic laboratories."

"Enforcement of Tobacco Product Sale Restrictions: Included in the above General Fund appropriation is \$260,000 in fiscal year 2006-2007 and \$260,000 in fiscal year 2007-2008 to carry out the provisions of KRS 438.335."

"Purchase of Agricultural Conservation Easement (PACE) Program: The PACE board may contract directly with land surveyors, real estate appraisers, and other licensed professionals as necessary."

"Metrology Lab Operating Fees: The Department of Agriculture may promulgate administrative regulations establishing license fees, testing fees, and any other fees necessary to operate and maintain a metrology lab in the Department of Agriculture. These Restricted Funds receipts shall be utilized for personnel and operations of the metrology lab."

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes Restricted Funds totaling \$291,000 each year of the biennium, above the base and defined calculations, for seven new positions in the Consumer and Environmental Program.

The State/Executive Branch Budget Bill, Part I, Operating Budget, provides new funding initiatives, funded above the base and defined calculations, to fill vacant positions in the Consumer and Environmental Programs and in Agriculture Marketing and Product Promotion. The Branch Budget Bill provides additional Restricted Funds in the amount of \$479,500 in fiscal year 2006-2007 and \$817,300 in fiscal year 2007-2008 to fill as many of the vacant positions as funding permits.

**Fiscal Biennium 2006-2008
Budget Modification Report**

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Agriculture

GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following changes:

The General Assembly amends the State/Executive Branch Budget Bill, Part I, Operating Budget, to include the following changes:

The General Assembly provides additional General Fund support in the amount of \$515,000 in fiscal year 2006-2007 and \$2,030,300 in fiscal year 2007-2008. Additional General Fund dollars of \$495,000 in each year is to provide improvement grants awarded to Local Agricultural Fair Programs, and an additional \$20,000 in each year is provided to support Lime Testing. General Fund support in the amount of \$1,053,300 is provided for personnel and operating expenditures for a Fuel/Pesticide Testing Laboratory and \$462,000 in fiscal year 2007-2008 for debt service on the Bond Funds for the Fuel/Pesticide Testing Laboratory. Additional Restricted Funds of \$479,500 in fiscal year 2007-2008 is provided to support funding of vacant positions.

The General Assembly amends the State/Executive Branch Budget Bill, Part I, Operating Budget, to include the following language provisions:

"Purchase of Agricultural Conservation Easement (PACE) Program:"..."The Department of Agriculture may receive funds from local and private sources to match Federal Funds for the Purchase of Agricultural Conservation Easement (PACE) Program."

"County Fair Grants: Included in the above General Fund appropriation is \$495,000 in fiscal year 2006-2007 and \$495,000 in fiscal year 2007-2008 to support the capital improvement grants to the Local Agricultural Fair Program."

"Debt Service: Included in the above General Fund appropriation is \$462,000 in fiscal year 2007-2008 for debt service to support new bonds for Animal Shelters as set forth in Part II, Capital Projects Budget, of this Act."

The General Assembly amends the State/Executive Branch Budget Bill, Part II, Capital Budget, to include \$2,500,000 in Bond Fund support in fiscal year 2006-2007 to provide funding to local animal shelters for capital improvements and \$1,650,000 in General Fund support in fiscal year 2007-2008 to purchase equipment for a Fuels/Pesticides Testing Lab. The General Assembly removes \$400,000 of General Fund support each year for the PACE (Agriculture Enhancement Fund).

The General Assembly amends Part V, Funds Transfer to include \$479,500 in fiscal year 2006-2007 and \$337,800 in fiscal year 2007-2008 of Restricted Funds to the General Fund.

**Fiscal Biennium 2006-2008
Budget Modification Report**

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Agriculture

The Governor of the Commonwealth vetoes, in part, the following:

Partial Veto #4 - *"I, Ernie Fletcher, Governor of the Commonwealth of Kentucky pursuant to the authority granted under Section 88 of the Kentucky Constitution, do hereby veto the following parts:...*

Page 24, lines 26 through 27, in their entirety.

Page 25, line 1, in its entirety....

Page 159, lines 18 through 19, in their entirety....

These parts represent capital projects authorized for bond financing. I am vetoing these projects because it is my belief that the Commonwealth cannot afford to sustain the debt that would have to be incurred to fund them without jeopardizing its credit rating and financial future. To fund these projects would limit the Commonwealth's ability to adequately fund its operating expenses in the short and long term. The overall level of debt of the Commonwealth has ballooned in recent years. Record levels of debt were approved in both the 2005 General Assembly and the 2006 General Assembly. In comparison to other states, the debt per capita for Kentucky has increased substantially while most states have held constant or reduced their relative debt levels. I do not take issue with the merit of any one of these projects, or their ability to have a positive impact on our Commonwealth. My concern is the overall level of debt that we will rely on our children and grandchildren to honor.

The credit rating services closely review the degree to which the Commonwealth can meet recurring expenditures with recurring revenues. I am concerned about the structural imbalance in the operating budget. However, due to the structure of the appropriations Act, there is limited ability to impact the appropriation levels in the budget without jeopardizing entire programs. Many of the projects vetoed herein were only provided with a half year of debt service in the biennium, adding to the structural imbalance that will have to be addressed in the succeeding biennial budget. The debt service for these capital projects represents \$11,076,000 in General Fund appropriations in fiscal year 2007-2008. These appropriations will lapse to the General Fund Surplus account."

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A - General Government

Capital Budget

Agriculture

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE									
General Fund				400,000		(400,000)	400,000	1,650,000	1,250,000
Federal Funds				3,600,000	3,600,000		3,600,000	3,600,000	
Capital Construction Surplus				290,000	290,000				
TOTAL CAPITAL				4,290,000	3,890,000	(400,000)	4,000,000	5,250,000	1,250,000

II. CAPITAL PROJECTS

1 Forage Testing Van

PRJ0351342

Capital Construction Surplus	115,000	115,000
Project Total	115,000	115,000

2 Large Scale Test Truck

PRJ0351341

Capital Construction Surplus	175,000	175,000
Project Total	175,000	175,000

3 Fuels/Pesticides Testing Lab

PRJ0351345

General Fund	1,650,000	1,650,000
Project Total	1,650,000	1,650,000

4 Animal Shelters (VETOED BY GOVERNOR)

PRJ0351340

Bond Funds	2,500,000
Project Total	

5 PACE - Agriculture Enhancement Fund - Additional

PRJ0351339

General Fund	400,000		(400,000)	400,000		(400,000)
Federal Funds	3,600,000	3,600,000		3,600,000	3,600,000	
Project Total	4,000,000	3,600,000	(400,000)	4,000,000	3,600,000	(400,000)

6 Franklin County - Lease

PRJ0351346

General Fund	
Project Total	

FB 2006-2008 FINAL BUDGET MEMORANDUM - 2006 REGULAR SESSION OF THE GENERAL ASSEMBLY**A - General Government****Capital Budget****Agriculture**

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
TOTAL CAPITAL				4,290,000	3,890,000	(400,000)	4,000,000	5,250,000	1,250,000

Note: Boxed figure denotes enacted amount that was vetoed by the Governor and is not included in the totals.

A - General Government

Operating Budget

Auditor of Public Accounts

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	5,834,700	5,834,700		5,829,900	5,829,900		5,828,300	5,828,300	
Restricted Funds	3,818,000	3,818,000		3,297,500	3,297,500		3,297,500	3,297,500	
Regular Total Funds	9,652,700	9,652,700		9,127,400	9,127,400		9,125,800	9,125,800	
Use of Continuing									
TOTAL FUNDS	9,652,700	9,652,700		9,127,400	9,127,400		9,125,800	9,125,800	
II. EXPENDITURE CATEGORY									
Personnel Costs	8,867,000	8,867,000		8,424,800	8,424,800		8,423,200	8,423,200	
Operating Expenses	785,700	785,700		702,600	702,600		702,600	702,600	
TOTAL EXPENDITURES	9,652,700	9,652,700		9,127,400	9,127,400		9,125,800	9,125,800	
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	5,834,700	5,834,700		5,829,900	5,829,900		5,828,300	5,828,300	
Restricted Funds	3,818,000	3,818,000		3,297,500	3,297,500		3,297,500	3,297,500	
Regular Total Funds	9,652,700	9,652,700		9,127,400	9,127,400		9,125,800	9,125,800	
Use of Continuing									
TOTAL BASE LEVEL	9,652,700	9,652,700		9,127,400	9,127,400		9,125,800	9,125,800	

**Fiscal Biennium 2006-2008
Budget Modification Report**

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Auditor of Public Accounts

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part I, Operating Budget includes language provisions that direct:

"Auditor's Scholarships: Notwithstanding KRS 43.200, no funding is provided for Auditor's scholarships."

"Audit Services Contracts: No state agency shall enter into any contract with a nongovernmental entity for an audit unless the Auditor of Public Accounts has declined in writing to perform the audit or has failed to respond within 30 days of receipt of a written request. The agency requesting the audit shall furnish the Auditor of Public Accounts a comprehensive statement of the scope and nature of the proposed audit."

"Audit Records and Status Reports: The Auditor of Public Accounts shall report in writing each 60 days to the Interim Joint Committee on Appropriations and Revenue the progress of all state audits, together with copies of all completed audits. The Auditor of Public Accounts shall maintain a record of all time and expenses for each audit or investigation."

"Charges for Federal, State, and Local Audits: Any additional expense incurred by the Auditor of Public Accounts for auditing Federal Funds, when the audits are mandated by a cognizant federal audit agency, shall be charged to the audited agency when the costs may be charged against Federal Funds. The Auditor of Public Accounts may increase the audit fees for conducting county audits if additional revenues are needed to continue the operation of the office. The Auditor of Public Accounts shall maintain a record of all costs and expenditures associated with this provision.

Each quarter, the Auditor of Public Accounts shall notify the Finance and Administration Cabinet concerning the collection status of the fees charged for county audits. If a county government is delinquent in its payment to the Auditor of Public Accounts, the Finance and Administration Cabinet shall withhold any moneys due that county government for the term of 120 days or until the Auditor of

**Fiscal Biennium 2006-2008
Budget Modification Report**

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Auditor of Public Accounts

Public Accounts has received full payment from the county. The Auditor of Public Accounts may increase the audit fees for conducting county audits if additional revenues are needed to continue the operations of the office.

The "Single Audit Act of 1984" and the "Single Audit Act Amendments of 1996" (OMB Circular No. A-133) have changed the method by which federal moneys to state agencies are audited. As a result of this federal change, the Auditor of Public Accounts is budgeted to receive additional Agency Receipts which shall be allotted by the Governor's Office for Policy and Management for programs authorized in the enacted budget for the Auditor of Public Accounts by the 2006 General Assembly, subject to the conditions and procedures provided in this Act.

Any expenses incurred by the Auditor of Public Accounts for auditing a state or local government agency or other entity upon its request, or for performing an audit required by statute unless the audit is required by those standards governing the audit of the Commonwealth's Comprehensive Financial Report or the provisions contained in the "Single Audit Act of 1984" and the "Single Audit Act Amendments of 1996," shall be charged to the agency or entity audited.

Any expense incurred by the Auditor of Public Accounts for auditing individual governmental entities shall be charged to the agency receiving audit services when expenses are mutually agreed upon or when a legislatively mandated study by the Auditor of Public Accounts has determined the need for the audit."

GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following changes:

The General Assembly amends the State/Executive Branch Budget Bill, Part I, Operating Budget, to delete the following language provision:

"Charges for Federal, State, and Local Audits: Any additional expense incurred by the Auditor of Public Accounts for auditing Federal Funds, when the audits are mandated by a cognizant federal audit agency, shall be charged to the audited agency when the costs may be charged against Federal Funds. The Auditor of Public Accounts may increase the audit fees for conducting county audits if additional revenues are needed to continue the operation of the office. The Auditor of Public Accounts shall maintain a record of all costs and expenditures associated with this provision.

Each quarter, the Auditor of Public Accounts shall notify the Finance and Administration Cabinet concerning the collection status of the fees charged for county audits. If a county government is delinquent in its payment to the Auditor of Public Accounts, the Finance

**Fiscal Biennium 2006-2008
Budget Modification Report**

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Auditor of Public Accounts

and Administration Cabinet shall withhold any moneys due that county government for the term of 120 days or until the Auditor of Public Accounts has received full payment from the county. The Auditor of Public Accounts may increase the audit fees for conducting county audits if additional revenues are needed to continue the operations of the office.

The "Single Audit Act of 1984" and the "Single Audit Act Amendments of 1996" (OMB Circular No. A-133) have changed the method by which federal moneys to state agencies are audited. As a result of this federal change, the Auditor of Public Accounts is budgeted to receive additional Agency Receipts which shall be allotted by the Governor's Office for Policy and Management for programs authorized in the enacted budget for the Auditor of Public Accounts by the 2006 General Assembly, subject to the conditions and procedures provided in this Act.

Any expenses incurred by the Auditor of Public Accounts for auditing a state or local government agency or other entity upon its request, or for performing an audit required by statute unless the audit is required by those standards governing the audit of the Commonwealth's Comprehensive Financial Report or the provisions contained in the "Single Audit Act of 1984" and the "Single Audit Act Amendments of 1996," shall be charged to the agency or entity audited.

Any expense incurred by the Auditor of Public Accounts for auditing individual governmental entities shall be charged to the agency receiving audit services when expenses are mutually agreed upon or when a legislatively mandated study by the Auditor of Public Accounts has determined the need for the audit."

The General Assembly amends the State/Executive Branch Budget Bill, Part I, Operating Budget, to include the following language provisions:

"Compensatory Leave Conversion to Sick Leave: If the Auditor of Public Accounts determines that internal budgetary pressures warrant further austerity measures, the State Auditor may institute a policy to suspend payment of 50 hour blocks of compensatory time for those auditors who have accumulated 240 hours of compensatory time and instead to convert those hours to sick leave."

"Auditor Salary Equity: Included in the above General Fund appropriation are funds to provide an increase to each merit classified auditor within the Auditor of Public Accounts office to be added to the eligible employee's base salary effective July 1, 2006. The Secretary of the Personnel Cabinet shall take such action to develop a revised classification and salary compensation schedule to implement this provision in consultation with the Auditor of Public Accounts to be effective by July 1, 2006. This salary increase shall be in addition to any salary increase provided to state employees included in this Act."

A - General Government

Operating Budget

Personnel Board

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	630,600	630,600		651,500		(651,500)	657,500		(657,500)
Restricted Funds					754,500	754,500		767,100	767,100
Regular Total Funds	630,600	630,600		651,500	754,500	103,000	657,500	767,100	109,600
Use of Continuing									
TOTAL FUNDS	630,600	630,600		651,500	754,500	103,000	657,500	767,100	109,600
II. EXPENDITURE CATEGORY									
Personnel Costs	567,300	567,300		586,500	689,500	103,000	589,500	699,100	109,600
Operating Expenses	63,300	63,300		65,000	65,000		68,000	68,000	
TOTAL EXPENDITURES	630,600	630,600		651,500	754,500	103,000	657,500	767,100	109,600
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	592,000	592,000		552,000		(552,000)	552,000		(552,000)
Restricted Funds					552,000	552,000		552,000	552,000
Regular Total Funds	592,000	592,000		552,000	552,000		552,000	552,000	
Use of Continuing									
TOTAL BASE LEVEL	592,000	592,000		552,000	552,000		552,000	552,000	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund	38,600	38,600		99,500		(99,500)	105,500		(105,500)
Restricted Funds					202,500	202,500		215,100	215,100
TOTAL ADDITIONAL	38,600	38,600		99,500	202,500	103,000	105,500	215,100	109,600
V. ADDITIONAL BUDGET ITEMS									
1	CONT Personnel Board - Current Year Request - Continuation								
ABR2680004	Provide General Fund to support the current level of Hearing Officers for the balance of FY 2005-06.								
General Fund	38,600	38,600							
Project Total	38,600	38,600							
2	GB Personnel Board - Additional Hearing Officers and Staff -								
ABR2680003	Provides Restricted Funds to support 2 hearing officers and also provides additional Restricted Funds support 2 additional Board staff positions.								
General Fund				99,500		(99,500)	105,500		(105,500)
Restricted Funds					202,500	202,500		215,100	215,100
Project Total				99,500	202,500	103,000	105,500	215,100	109,600

FB 2006-2008 FINAL BUDGET MEMORANDUM - 2006 REGULAR SESSION OF THE GENERAL ASSEMBLY**A - General Government****Operating Budget****Personnel Board**

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
TOTAL ADDITIONAL	38,600	38,600		99,500	202,500	103,000	105,500	215,100	109,600

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Personnel Board

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following changes:

The General Assembly amends the State/Executive Branch Budget Bill, part I, Operating Budget to include the following language provision:

"Personnel Board Operating Assessment: Each agency of the Executive Branch with employees covered by KRS Chapter 18A shall be assessed each fiscal year the amount required for the operation of the Personnel Board, as appropriated above. The agency assessment shall be determined by the Secretary of the Finance and Administration Cabinet based on the authorized full-time positions of each agency on July 1 each year of the biennium. The Secretary of the Finance and Administration Cabinet shall collect the assessment and allot these Restricted Funds for the routine operations of the Personnel Board. Notwithstanding KRS 45.229, any Restricted Funds generated by this assessment not spent in fiscal year 2006-2007 shall not lapse but shall be carried forward to the next fiscal year and utilized for the routine operations of the Personnel Board."

"Special Assessment: As a result of increased workload or for other reasons in the best interest of the State Merit System, the Chairman of the Personnel Board may request a special assessment to adequately provide for the financial needs and operation of the Personnel Board. Any special assessment for Personnel Board operations shall receive the prior approval of the State Budget Director and the Secretary of the Finance and Administration Cabinet. Should any special assessment be approved it shall be uniformly implemented in accordance with the same procedures as the regular Personnel Board Operating Assessment."

The General Assembly provides Restricted Funds in the amount of \$651,500 in fiscal year 2006-2007 and \$657,500 in fiscal year 2007-2008 to replace General Fund for base operations of the Personnel Board and additional Restricted Funds in the amount of

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Personnel Board

\$103,000 in fiscal year 2006-2007 and \$109,600 in fiscal year 2007-2008 to support the operational requirements of the Personnel Board.

A - General Government

Operating Budget

Kentucky Retirement Systems

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	11,951,700	11,951,700							
Restricted Funds	21,200,000	21,200,000		22,107,300	22,580,700	473,400	23,268,300	24,253,100	984,800
Regular Total Funds	33,151,700	33,151,700		22,107,300	22,580,700	473,400	23,268,300	24,253,100	984,800
Use of Continuing									
TOTAL FUNDS	33,151,700	33,151,700		22,107,300	22,580,700	473,400	23,268,300	24,253,100	984,800
II. EXPENDITURE CATEGORY									
Personnel Costs	29,508,800	29,508,800		18,597,100	18,797,700	200,600	19,737,100	20,090,700	353,600
Operating Expenses	3,359,000	3,359,000		3,235,200	3,235,200		3,256,200	3,614,600	358,400
Capital Outlay	283,900	283,900		275,000	547,800	272,800	275,000	547,800	272,800
TOTAL EXPENDITURES	33,151,700	33,151,700		22,107,300	22,580,700	473,400	23,268,300	24,253,100	984,800
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	11,951,700	11,951,700							
Restricted Funds	19,965,000	19,965,000		20,410,700	20,683,500	272,800	20,899,000	21,527,800	628,800
Regular Total Funds	31,916,700	31,916,700		20,410,700	20,683,500	272,800	20,899,000	21,527,800	628,800
Use of Continuing									
TOTAL BASE LEVEL	31,916,700	31,916,700		20,410,700	20,683,500	272,800	20,899,000	21,527,800	628,800
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
Restricted Funds	1,235,000	1,235,000		1,696,600	1,897,200	200,600	2,369,300	2,725,300	356,000
TOTAL ADDITIONAL	1,235,000	1,235,000		1,696,600	1,897,200	200,600	2,369,300	2,725,300	356,000
V. ADDITIONAL BUDGET ITEMS									
1 GB	Kentucky Retirement Systems - Health Insurance Supplement - & Increased service demand by growing retired membership								
ABR1000001	Provide Restricted Funds for 18 additional staff positions in each fiscal year.								
Restricted Funds	1,235,000	1,235,000		1,696,600	1,897,200	200,600	2,369,300	2,725,300	356,000
Project Total	1,235,000	1,235,000		1,696,600	1,897,200	200,600	2,369,300	2,725,300	356,000
TOTAL ADDITIONAL	1,235,000	1,235,000		1,696,600	1,897,200	200,600	2,369,300	2,725,300	356,000

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Kentucky Retirement Systems

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part I, Operating Budget includes language provisions that direct:

"Dependent Subsidy for Retirees - Kentucky Employee Retirement System: Notwithstanding KRS 61.701 and 61.702, the Kentucky Employees Retirement System shall have the authority to draw upon the employer contributions made to each system to support the dependent subsidy provided for a nonhazardous service member's eligible dependents participating in the Kentucky Group Health Insurance Program."

"Dependent Subsidy for Retirees - County Employees Retirement System: Notwithstanding KRS 61.701 and 61.702, the County Employees Retirement System shall have the authority to draw upon the employer contributions made to the system to support the dependent subsidy provided for a nonhazardous service member's eligible dependents participating in the Kentucky Group Health Insurance Program."

The State/Executive Branch Budget Bill, Part II, Capital Projects Budget, includes a language provision as follows:

Kentucky Retirement Systems Line of Business Project, Restricted Funds in the amount of \$19,300,000 in fiscal year 2006-2007 and the Franklin County - Lease - Perimeter Park West.

GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following changes:

The General Assembly amends the State/Executive Branch Budget Bill, Part I, Operating Budget, to include the following language provisions:

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Kentucky Retirement Systems

"Dependent Subsidy for Retirees - Kentucky Employee Retirement System: From July 1, 2006, through December 31, 2007, in addition to the benefits conferred under KRS 61.702, a recipient of a nonhazardous monthly retirement allowance shall also be eligible for the dependent subsidy as provided under the terms established by the State Group Health Insurance Program. The dependent subsidy conferred to recipients of a nonhazardous monthly retirement allowance shall not be considered as a benefit protected by the inviolable contract provisions of KRS 61.692, 16.652 and 78.852."

"Dependent Subsidy for Retirees - County Employees Retirement System: From July 1, 2006, through December 31, 2007, in addition to the benefits conferred under KRS 61.702, a recipient of a nonhazardous monthly retirement allowance shall also be eligible for the dependent subsidy as provided under the terms established by the State Group Health Insurance Program. The dependent subsidy conferred to recipients of a nonhazardous monthly retirement allowance shall not be considered as a benefit protected by the inviolable contract provisions of KRS 61.692, 16.652 and 78.852."

The General Assembly includes additional Restricted Funds in the amount of \$473,400 in fiscal year 2006-2007 and \$984,800 in fiscal year 2007-2008 to support the operations of the Kentucky Retirement Systems.

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Capital Budget

Kentucky Retirement Systems

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE									
Restricted Funds				19,300,000	19,300,000				
TOTAL CAPITAL				19,300,000	19,300,000				
II. CAPITAL PROJECTS									
1	Kentucky Retirement Systems - Line of Business Technology Project								
PRJ1001386									
Restricted Funds				19,300,000	19,300,000				
Project Total				19,300,000	19,300,000				
2	Kentucky Retirement Systems Capital Lease								
PRJ1001387									
Restricted Funds									
Project Total									
TOTAL CAPITAL				19,300,000	19,300,000				

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A - General Government

Operating Budget

Boards and Commissions

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
Restricted Funds	18,090,400	18,090,400		18,942,400	18,942,400		19,070,000	19,070,000	
Regular Total Funds	18,090,400	18,090,400		18,942,400	18,942,400		19,070,000	19,070,000	
Use of Continuing									
TOTAL FUNDS	18,090,400	18,090,400		18,942,400	18,942,400		19,070,000	19,070,000	
II. EXPENDITURE CATEGORY									
Personnel Costs	12,621,200	12,621,200		13,262,600	13,262,600		13,486,300	13,486,300	
Operating Expenses	4,697,300	4,697,300		4,957,600	4,957,600		4,901,500	4,901,500	
Grants, Loans, Benefits	712,000	712,000		612,200	612,200		612,200	612,200	
Capital Outlay	59,900	59,900		110,000	110,000		70,000	70,000	
TOTAL EXPENDITURES	18,090,400	18,090,400		18,942,400	18,942,400		19,070,000	19,070,000	
III. BASE LEVEL BUDGET BY FUND SOURCE									
Restricted Funds	18,090,400	18,090,400		18,867,900	18,867,900		19,033,100	19,033,100	
Regular Total Funds	18,090,400	18,090,400		18,867,900	18,867,900		19,033,100	19,033,100	
Use of Continuing									
TOTAL BASE LEVEL	18,090,400	18,090,400		18,867,900	18,867,900		19,033,100	19,033,100	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
Restricted Funds				74,500	74,500		36,900	36,900	
TOTAL ADDITIONAL				74,500	74,500		36,900	36,900	
V. ADDITIONAL BUDGET ITEMS									
1 GB	Boards and Commissions - Architects								
ABR2000002	Provide funding to support an increase in operating expenses related to the boards relocation into state owned office space.								
Restricted Funds				38,900	38,900		34,700	34,700	
Project Total				38,900	38,900		34,700	34,700	
2 CONT	Boards and Commissions - Optometric Examiners								
ABR2600002	Provide funding to support additional operating costs.								
Restricted Funds				7,600	7,600		2,200	2,200	
Project Total				7,600	7,600		2,200	2,200	

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Operating Budget

Boards and Commissions

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
3 CONT Boards and Commissions - Pharmacy									
ABR2700002 Provide funding to support additional operating costs.									
Restricted Funds				28,000	28,000				
Project Total				28,000	28,000				
TOTAL ADDITIONAL				74,500	74,500		36,900	36,900	

VI. EXPENDITURES BY UNIT

Accountancy

Restricted Funds	604,000	604,000	617,600	617,600	619,200	619,200
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Certification of Alcohol and Drug Counselors

Restricted Funds	67,200	67,200	67,200	67,200	67,200	67,200
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Architects

Restricted Funds	294,600	294,600	356,600	356,600	362,800	362,800
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Certification for Professional Art Therapists

Restricted Funds	11,400	11,400	11,400	11,400	11,400	11,400
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Auctioneers

Restricted Funds	397,300	397,300	405,500	405,500	412,700	412,700
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Barbering

Restricted Funds	236,600	236,600	247,400	247,400	249,400	249,400
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Chiropractic Examiners

Restricted Funds	200,500	200,500	203,900	203,900	211,100	211,100
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Dentistry

Restricted Funds	618,200	618,200	639,800	639,800	641,800	641,800
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Licensure and Certification for Dietitians and Nutritionists

Restricted Funds	77,500	77,500	77,500	77,500	77,500	77,500
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Embalmers and Funeral Directors

Restricted Funds	249,100	249,100	259,400	259,400	262,800	262,800
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Licensure for Professional Engineers and Land Surveyors

Restricted Funds	1,379,400	1,379,400	1,398,400	1,398,400	1,411,400	1,411,400
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Certification of Fee-Based Pastoral Counselors

Restricted Funds	3,500	3,500	3,500	3,500	3,500	3,500
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A - General Government

Operating Budget

Boards and Commissions

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
Registration for Professional Geologists									
Restricted Funds	135,000	135,000		135,000	135,000		135,000	135,000	
Hairdressers & Cosmetologists									
Restricted Funds	998,500	998,500		1,043,000	1,043,000		1,074,100	1,074,100	
Specialists in Hearing Instruments									
Restricted Funds	55,200	55,200		55,200	55,200		55,200	55,200	
Interpreters for the Deaf and Hard of Hearing									
Restricted Funds	31,000	31,000		31,000	31,000		31,000	31,000	
Examiners and Registration of Landscape Architects									
Restricted Funds	44,300	44,300		53,000	53,000		53,200	53,200	
Licensure of Marriage and Family Therapists									
Restricted Funds	83,200	83,200		83,200	83,200		83,200	83,200	
Licensure for Massage Therapy									
Restricted Funds	62,800	62,800		62,800	62,800		62,800	62,800	
Medical Licensure									
Restricted Funds	2,119,900	2,119,900		2,408,200	2,408,200		2,427,400	2,427,400	
Nursing									
Restricted Funds	4,874,200	4,874,200		4,656,900	4,656,900		4,760,600	4,760,600	
Licensure for Nursing Home Administrators									
Restricted Funds	76,200	76,200		76,200	76,200		76,200	76,200	
Licensure for Occupational Therapy									
Restricted Funds	86,000	86,000		86,000	86,000		86,000	86,000	
Ophthalmic Dispensers									
Restricted Funds	62,900	62,900		62,900	62,900		62,900	62,900	
Optometric Examiners									
Restricted Funds	156,900	156,900		167,200	167,200		166,400	166,400	
Pharmacy									
Restricted Funds	930,700	930,700		1,037,200	1,037,200		1,045,000	1,045,000	
Physical Therapy									
Restricted Funds	264,700	264,700		264,700	264,700		264,700	264,700	
Podiatry									
Restricted Funds	21,700	21,700		21,700	21,700		21,700	21,700	

A - General Government

Operating Budget

Boards and Commissions

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
Private Investigators									
Restricted Funds	64,200	64,200		64,200	64,200		64,200	64,200	
Licensed Professional Counselors									
Restricted Funds	56,200	56,200		56,200	56,200		56,200	56,200	
Proprietary Education									
Restricted Funds	164,300	164,300		164,300	164,300		164,300	164,300	
Examiners of Psychology									
Restricted Funds	176,100	176,100		176,100	176,100		176,100	176,100	
Real Estate Appraisers									
Restricted Funds	589,000	589,000		602,700	602,700		604,200	604,200	
Real Estate Commission									
Restricted Funds	2,299,400	2,299,400		2,744,300	2,744,300		2,666,600	2,666,600	
Respiratory Care									
Restricted Funds	123,600	123,600		127,100	127,100		127,100	127,100	
Social Work									
Restricted Funds	145,300	145,300		145,300	145,300		145,300	145,300	
Speech-Language Pathology and Audiology									
Restricted Funds	92,000	92,000		92,000	92,000		92,000	92,000	
Veterinary Examiners									
Restricted Funds	237,800	237,800		237,800	237,800		237,800	237,800	
TOTAL	18,090,400	18,090,400		18,942,400	18,942,400		19,070,000	19,070,000	

TRANSFERS TO THE GENERAL FUND

Accountancy

Agency Revenue Fund (KRS 325.250)	20,000	(20,000)
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Chiropractic Examiners

Agency Revenue Fund	20,000	(20,000)
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Dentistry

A - General Government

Operating Budget

Boards and Commissions

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
TRANSFERS TO THE GENERAL FUND									
Agency Revenue Fund (KRS 313.350(1))	30,000		(30,000)						
Embalmers and Funeral Directors									
Agency Revenue Fund (KRS 316.125 and 316.210)	5,000		(5,000)						
Examiners and Registration of Landscape Architects									
Agency Revenue Fund (KRS 323A.060(2))	5,000		(5,000)						
Examiners of Psychology									
Agency Revenue Fund (KRS 319.131)	50,000		(50,000)						
Licensed Professional Counselors									
Agency Revenue Fund (KRS 335.520(1) and (2))	50,000		(50,000)						
Licensure for Occupational Therapy									
Agency Revenue Fund	25,000		(25,000)						
Licensure for Massage Therapy									
Agency Revenue Fund (KRS 309.356(1))	50,000		(50,000)						
Licensure for Professional Engineers and Land Surveyors									
Agency Revenue Fund (KRS 322.420)	50,000		(50,000)						
Medical Licensure									
Agency Revenue Fund (KRS 311.610)	20,000		(20,000)						
Nursing									
Agency Revenue Fund (KRS 314.161)	50,000		(50,000)						
Pharmacy									
Agency Revenue Fund (KRS 315.195)	20,000		(20,000)						

A - General Government

Operating Budget

Boards and Commissions

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
TRANSFERS TO THE GENERAL FUND									
Podiatry									
Agency Revenue Fund (KRS 311.450(3))	7,000		(7,000)						
Real Estate Appraisers									
Agency Revenue Fund (KRS 324A.065(4))	10,000		(10,000)						
Real Estate Commission									
Agency Revenue Fund (KRS 324.286 and 324.410)	50,000		(50,000)						
Registration for Professional Geologists									
Agency Revenue Fund (KRS 322A.050)	35,000		(35,000)						
Social Work									
Agency Revenue Fund (KRS 335.140)	20,000		(20,000)						
Veterinary Examiners									
Agency Revenue Fund (KRS 321.320)	45,000		(45,000)						
TOTAL	562,000		(562,000)						

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Boards and Commissions

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a transfer from the Boards and Commissions, Restricted Funds, in fiscal year 2005-2006 for the following amounts:

<u>Boards and Commissions</u>	<u>FY 2005-2006</u>
Accountancy	20,000
Chiropractic	20,000
Professional Counselors	50,000
Massage Therapists	50,000
Dentistry	30,000
Funeral Directors	5,000
Landscape	5,000
Psychology	50,000
Social	20,000
Medical	20,000
Nursing	50,000
Occupational	25,000
Pharmacy	20,000
Podiatry	7,000
Appraisers	10,000
Engineers	50,000
Veterinary	45,000
Geologists	35,000
Real Estate	50,000

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes new funding initiatives, are provided above the base and defined calculations, in Restricted Funds for Architects in the amount of \$38,900 in FY 2006-2007 and \$34,700 in fiscal year 2007-

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Boards and Commissions

2008, Optometric Examiners in the amount of \$7,600 in fiscal year 2006-2007 and \$2,200 in fiscal year 2007-2008, and Pharmacy in the amount of \$28,000 in fiscal year 2006-2007 for additional operating expenditures.

GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following changes:

The General Assembly amends the State/Executive Branch Budget Bill, Part V, Funds Transfer, and eliminates the fund transfers in fiscal year 2005-2006 from the Boards and Commissions listed above.

The General Assembly adds a Part I, Operating Budget, language provision for the Board of Embalmers and Funeral Directors as follows:

"Military Burial Honor Guard Program: Pursuant to KRS 36.390, the Department of Military Affairs shall coordinate with the Department of Veterans' Affairs and the Board of Embalmers and Funeral Directors on the implementation of the Military Burial Honor Guard Program. The Board of Embalmers and Funeral Directors shall mail program notification letters to all licensed embalmers and funeral directors with information related to program description and contacts for the Military Burial Honor Guard Program. These letters shall be mailed with the annual renewal notifications prior to July 1 each year. New applicants will receive their notification of the program at the time of licensing. The Board of Embalmers and Funeral Directors shall establish a section on the Board's Web site pertaining to the Military Burial Honor Guard Program. The Department of Military Affairs and the Department of Veterans' Affairs shall report to the Interim Joint Committee on Seniors, Veterans, Military Affairs, and Public Protection prior to January 1, 2007, on the implementation of the Military Burial Honor Guard Program. The report shall include recommendations on organizational related matters, training and continuing education needs, equipment requirements for organizations performing or coordinating the honors ceremonies, and the expenditure of funds."

A - General Government

Capital Budget

Boards and Commissions

Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference

I. CAPITAL PROJECT RECAP BY FUND SOURCE

General Fund

TOTAL CAPITAL

II. CAPITAL PROJECTS

1 Jefferson County - Lease

PRJ2500001

General Fund

Project Total

TOTAL CAPITAL

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A - General Government

Operating Budget

Emergency Medical Services

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	2,384,800	2,384,800		2,393,700	2,393,700		2,373,800	2,373,800	
Restricted Funds	291,700	211,700	(80,000)	401,300	401,300		422,700	422,700	
Federal Funds	932,800	932,800		155,000	155,000		155,000	155,000	
Regular Total Funds	3,609,300	3,529,300	(80,000)	2,950,000	2,950,000		2,951,500	2,951,500	
Use of Continuing									
TOTAL FUNDS	3,609,300	3,529,300	(80,000)	2,950,000	2,950,000		2,951,500	2,951,500	
II. EXPENDITURE CATEGORY									
Personnel Costs	1,116,700	1,036,700	(80,000)	1,151,000	1,151,000		1,152,500	1,152,500	
Operating Expenses	1,132,600	1,132,600		374,000	374,000		374,000	374,000	
Grants, Loans, Benefits	1,335,000	1,335,000		1,425,000	1,425,000		1,425,000	1,425,000	
Capital Outlay	25,000	25,000							
TOTAL EXPENDITURES	3,609,300	3,529,300	(80,000)	2,950,000	2,950,000		2,951,500	2,951,500	
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	2,384,800	2,384,800		2,393,700	2,393,700		2,373,800	2,373,800	
Restricted Funds	171,700	171,700		184,700	184,700		203,100	203,100	
Federal Funds	932,800	932,800		155,000	155,000		155,000	155,000	
Regular Total Funds	3,489,300	3,489,300		2,733,400	2,733,400		2,731,900	2,731,900	
Use of Continuing									
TOTAL BASE LEVEL	3,489,300	3,489,300		2,733,400	2,733,400		2,731,900	2,731,900	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
Restricted Funds	120,000	40,000	(80,000)	216,600	216,600		219,600	219,600	
TOTAL ADDITIONAL	120,000	40,000	(80,000)	216,600	216,600		219,600	219,600	
V. ADDITIONAL BUDGET ITEMS									
1 GB	Emergency Medical Services								
ABR1870001	Provide funding to support one (1) new position to oversee the data collection system.								
Restricted Funds	40,000	40,000		46,600	46,600		49,600	49,600	
Project Total	40,000	40,000		46,600	46,600		49,600	49,600	
2 NEW	Emergency Medical Services								
ABR1870002	Provide funding to support a contract for a State Medical Director.								
Restricted Funds	80,000		(80,000)	80,000	80,000		80,000	80,000	
Project Total	80,000		(80,000)	80,000	80,000		80,000	80,000	

A - General Government

Operating Budget

Emergency Medical Services

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
3 EXPAN Emergency Medical Services									
ABR1870003 Provide funding to support the counties purchase of equipment and access to the data collection system.									
Restricted Funds				90,000	90,000		90,000	90,000	
Project Total				90,000	90,000		90,000	90,000	
TOTAL ADDITIONAL	120,000	40,000	(80,000)	216,600	216,600		219,600	219,600	

TRANSFERS TO THE GENERAL FUND**Emergency Medical Services**

Agency Revenue Fund (KRS 311A.145(2))	82,500	162,500	80,000
TOTAL	82,500	162,500	80,000

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Board of Emergency Medical Services

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part V, Funds Transfer, includes a transfer from The Board of Emergency Medical Services, Restricted Funds of \$82,500 in fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part I, Operating Budget, includes additional Restricted Funds of \$40,000 in fiscal year 2005-2006, \$46,600 in fiscal year 2006-2007, and \$49,600 in fiscal year 2007-2008, for one position to support the data collection system. Additional Restricted Funds in the amount of \$80,000 is provided in fiscal year 2005-2006, fiscal year 2006-2007, and fiscal year 2007-2008 to augment grants from the Department of Homeland Security and The Office of Bioterrorism, in cooperation with the University of Louisville for a contractual basis to hire a State Medical Director. Additional Restricted Funds in the amount of \$90,000 is provided in each year of the biennium to implement a data collection system.

GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following changes:

The General Assembly does not provide a Part I, Operating Budget, of \$80,000 Restricted Funds in fiscal year 2005-2006 to support a contract for a State Medical Director.

The General Assembly amends the State/Executive Branch Budget Bill, Part V, Fund Transfer, to transfer \$80,000 Restricted Funds in fiscal year 2005-2006 to the General Fund.

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A - General Government

Operating Budget

Kentucky River Authority

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	327,000	327,000		368,200	368,200		348,800	1,978,800	1,630,000
Restricted Funds	1,408,200	1,408,200		5,436,600	5,436,600		1,322,800	4,414,800	3,092,000
Regular Total Funds	1,735,200	1,735,200		5,804,800	5,804,800		1,671,600	6,393,600	4,722,000
Use of Continuing									
TOTAL FUNDS	1,735,200	1,735,200		5,804,800	5,804,800		1,671,600	6,393,600	4,722,000
II. EXPENDITURE CATEGORY									
Personnel Costs	702,200	702,200		657,500	657,500		668,500	668,500	
Operating Expenses	174,800	174,800		145,200	145,200		146,000	146,000	
Grants, Loans, Benefits	340,000	340,000		350,000	350,000		350,000	350,000	
Debt Service								4,722,000	4,722,000
Capital Outlay	18,200	18,200		32,100	32,100		7,100	7,100	
Construction	500,000	500,000		4,620,000	4,620,000		500,000	500,000	
TOTAL EXPENDITURES	1,735,200	1,735,200		5,804,800	5,804,800		1,671,600	6,393,600	4,722,000
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	327,000	327,000		368,200	368,200		348,800	348,800	
Restricted Funds	1,408,200	1,408,200		816,600	816,600		822,800	822,800	
Regular Total Funds	1,735,200	1,735,200		1,184,800	1,184,800		1,171,600	1,171,600	
Use of Continuing									
TOTAL BASE LEVEL	1,735,200	1,735,200		1,184,800	1,184,800		1,171,600	1,171,600	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund								1,630,000	1,630,000
Restricted Funds				4,620,000	4,620,000		500,000	3,592,000	3,092,000
TOTAL ADDITIONAL				4,620,000	4,620,000		500,000	5,222,000	4,722,000
V. ADDITIONAL BUDGET ITEMS									
1 GB KRA- Water Storage Capital Project Funding									
ABR0840001 Provide Restricted Funds to be transferred to the Capital Budget.									
Restricted Funds				4,620,000	4,620,000		500,000	500,000	
Project Total				4,620,000	4,620,000		500,000	500,000	

A - General Government

Operating Budget

Kentucky River Authority

			Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008				
			Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference		
2	NEW	Kentucky River Authority Locks and Dams Renovations & Maintenance Pool											
ABR0840006		Provide General Fund debt service on \$17,500,000 Bond Funds and Agency Funds debt service on \$33,200,000 Agency Bonds. The Governor vetoed General Fund debt service; therefore, these funds shall lapse to the credit of the General Fund in FY2007-2008.											
General Fund											1,630,000	1,630,000	
Restricted Funds											3,092,000	3,092,000	
Project Total											4,722,000	4,722,000	
TOTAL ADDITIONAL						4,620,000	4,620,000				500,000	5,222,000	4,722,000

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Kentucky River Authority

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part I, Operating Budget includes a language provision that directs:

"Water Withdrawal Fees: The water withdrawal fees imposed by the Kentucky River Authority shall not be subject to state and local taxes. Notwithstanding that portion of the provision of KRS 151.710(10) that directs the Finance and Administration Cabinet to provide administrative services for the Kentucky River Authority, Tier I water withdrawal fees shall be used to support the operations of the Authority and for contractual services for water supply and quality studies."

The State/Executive Branch Budget Bill, Part I, Operating Budget provides for a transfer from the Operating Budget to the Capital Budget, of Tier I, Water Use Fee Restricted Funds in the amount of \$4,620,000 in fiscal year 2006-2007 and \$500,000 in fiscal year 2007-2008. This transfer supports the Kentucky River Water Storage Dams 9 & 10 project, the Kentucky River Dam Maintenance Pool and the Kentucky River Lock 3 Renovation project.

GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following changes:

The General Assembly provides additional General Fund support totaling \$1,630,000 in fiscal year 2007-2008 and Restricted Funds of \$3,092,000 for debt service on \$17,500,000 Bond Funds and \$33,200,000 Agency Bonds for the Kentucky River Locks and Dams Maintenance and Renovations Pool Capital Project.

The General Assembly adds a Part I, Operating Budget, language provision as follows:

"Debt Service - Kentucky River Locks and Dams Maintenance and Renovations Pool: Included in the above General Fund appropriation is \$1,630,000 in fiscal year 2007-2008 for debt service on \$17,500,000 in Bond Funds, and in the Restricted Funds

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Kentucky River Authority

appropriation \$3,092,000 in fiscal year 2007-2008 for debt service on \$33,200,000 in Agency Bond Funds for the Kentucky River Locks and Dams Maintenance and Renovations Pool, as set forth in Part II, Capital Projects Budget, of this Act. The Agency Bonds may be issued by the State Property and Buildings Commission or the Kentucky Assets Liability Commission."

The General Assembly does not provide funding in Part II, Capital Budget, for the "Kentucky River Water Storage Dams 9 & 10", "Kentucky River Lock 3 Renovation" and the "Kentucky River Dam Maintenance Pool".

The General Assembly adds a Part II, Capital Budget, project "Kentucky River Locks and Dams Maintenance and Renovations Pool" by providing \$17,500,000 Bond Funds, \$33,200,000 Agency Bond Funds and \$4,600,000 Restricted Funds in fiscal year 2006-2007 for a total of \$55,300,000.

The Governor of the Commonwealth vetoes, in part, the following:

Partial Veto # 4 of HB 380 - *"I, Ernie Fletcher, Governor of the Commonwealth of Kentucky pursuant to the authority granted under Section 88 of the Kentucky Constitution, do hereby veto the following parts:*

...Page 33, line 10, after the word 'above' delete 'General Fund appropriation is \$1,630,000 in'.

Page 33, line 11, in its entirety....

...Page 160, line 2, in its entirety....

...These parts represent capital projects authorized for bond financing. I am vetoing these projects because it is my belief that the Commonwealth cannot afford to sustain the debt that would have to be incurred to fund them without jeopardizing its credit rating and financial future. To fund these projects would limit the Commonwealth's ability to adequately fund its operating expenses in the short and long term. The overall level of debt of the Commonwealth has ballooned in recent years. Record levels of debt were approved in both the 2005 General Assembly and the 2006 General Assembly. In comparison to other states, the debt per capita for Kentucky has increased substantially while most states have held constant or reduced their relative debt levels. I do not take issue with the merit of any one of these projects, or their ability to have a positive impact on our Commonwealth. My concern is the overall level of debt that we will rely on our children and grandchildren to honor. The credit rating services closely review the degree to which the Commonwealth can meet recurring expenditures with recurring revenues. I am concerned about the structural imbalance in the operating budget. However, due to the structure of the appropriations Act, there is limited ability to impact the appropriation levels in the budget without jeopardizing entire programs. Many of the projects vetoed herein were only provided with a half year of debt service in the biennium, adding to the structural imbalance that will have to be addressed in the succeeding biennial budget. The debt service for these capital

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Kentucky River Authority

projects represents \$11,076,000 in General Fund appropriations in fiscal year 2007-2008. These appropriations will lapse to the General Fund Surplus account. "

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Capital Budget

Kentucky River Authority

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE									
Restricted Funds				4,620,000	4,600,000	(20,000)	500,000		(500,000)
Agency Bonds					33,200,000	33,200,000			
Emergency Repair Maintenance and Replacement				500,000		(500,000)			
TOTAL CAPITAL				5,120,000	37,800,000	32,680,000	500,000		(500,000)
II. CAPITAL PROJECTS									
1	KY RIVER WATER STORAGE DAMS 9 & 10								
PRJ0841505									
Restricted Funds				3,620,000		(3,620,000)			
Project Total				3,620,000		(3,620,000)			
2	KY RIVER DAM MAINTENANCE POOL								
PRJ0841506									
Restricted Funds				500,000		(500,000)	500,000		(500,000)
Project Total				500,000		(500,000)	500,000		(500,000)
3	KY RIVER LOCK 3 RENOVATION								
PRJ0841507									
Restricted Funds				500,000		(500,000)			
Emergency Repair Maintenance and Replacement				500,000		(500,000)			
Project Total				1,000,000		(1,000,000)			
4	Kentucky River Locks and Dams Maintenance and Renovations Pool (BOND FUNDS VETOED BY GOVERNOR)								
PRJ0841509									
Restricted Funds					4,600,000	4,600,000			
Bond Funds					17,500,000				
Agency Bonds					33,200,000	33,200,000			
Project Total					37,800,000	37,800,000			
TOTAL CAPITAL				5,120,000	37,800,000	32,680,000	500,000		(500,000)

Note: Boxed figure denotes enacted amount that was vetoed by the Governor and is not included in the totals.

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Operating Budget

School Facilities Construction Commission

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	91,537,000	91,537,000		107,589,000	107,589,000		112,973,500	117,974,500	5,001,000
Regular Total Funds	91,537,000	91,537,000		107,589,000	107,589,000		112,973,500	117,974,500	5,001,000
Use of Continuing									
TOTAL FUNDS	91,537,000	91,537,000		107,589,000	107,589,000		112,973,500	117,974,500	5,001,000
II. EXPENDITURE CATEGORY									
Personnel Costs	235,400	235,400		235,700	235,700		242,500	242,500	
Operating Expenses	27,500	27,500		24,000	24,000		24,000	24,000	
Grants, Loans, Benefits								5,000,000	5,000,000
Debt Service	91,274,100	91,274,100		107,329,300	107,329,300		112,707,000	112,708,000	1,000
TOTAL EXPENDITURES	91,537,000	91,537,000		107,589,000	107,589,000		112,973,500	117,974,500	5,001,000
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	91,537,000	91,537,000		105,901,000	105,901,000		104,535,500	104,535,500	
Regular Total Funds	91,537,000	91,537,000		105,901,000	105,901,000		104,535,500	104,535,500	
Use of Continuing									
TOTAL BASE LEVEL	91,537,000	91,537,000		105,901,000	105,901,000		104,535,500	104,535,500	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund				1,688,000	1,688,000		8,438,000	13,439,000	5,001,000
TOTAL ADDITIONAL				1,688,000	1,688,000		8,438,000	13,439,000	5,001,000
V. ADDITIONAL BUDGET ITEMS									
1	EXPAN School Facilities Construction Commission - 2005 Offers of Assistance								
ABR3450002	Provides funds for debt service on \$100 M in offers of assistance authorized by the General Assembly in the 2005 Regular Session.								
General Fund				1,688,000	1,688,000		8,438,000	6,329,000	(2,109,000)
Project Total				1,688,000	1,688,000		8,438,000	6,329,000	(2,109,000)
2	EXPAN School Facilities Construction Commission - Additional Offers of Assistance								
ABR3450001	Provides funds for debt service for \$50 million of offers to school districts based on criteria to be developed by the Kentucky Department of Education and the School Facilities Construction Commission.								
General Fund								2,110,000	2,110,000
Project Total								2,110,000	2,110,000

A - General Government**Operating Budget****School Facilities Construction Commission**

Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
3 EXPAN School Facilities Construction Commission - Urgent Need School Trust Fund								
ABR3450007 Provides funds for facility needs identified by the School Facilities Construction Commission and the Kentucky Department of Education.								
General Fund							5,000,000	5,000,000
Project Total							5,000,000	5,000,000
TOTAL ADDITIONAL			1,688,000	1,688,000		8,438,000	13,439,000	5,001,000

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School Facilities Construction Commission

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part I, Operating Budget includes language provisions that direct:

"Debt Service: Included in the above General Fund appropriation is \$1,688,000 in fiscal year 2006-2007 and \$8,438,000 in fiscal year 2007-2008 for debt service on \$100,000,000 in bonds as set forth in Part II, Capital Projects Budget, of this Act."

"Growth Nickel Levy: The Facilities Support Program of Kentucky is fully funded in the 2006-2008 fiscal biennium. Notwithstanding KRS 157.621(3), local school districts may exercise authority expressed in KRS 157.621(1) and (2)."

"School Facility Revenue: A local board of education may commit an equivalent tax rate not to exceed five cents in addition to the taxes levied in KRS 157.440(1)(b). Receipts from the levy shall be committed to debt service, new facilities, or major renovations of existing school facilities. The tax rate levied by the local board of education under this provision shall be made no later than October 1 of each odd-numbered year, and shall not be equalized with state funding. The levy shall be subject to recall."

"Urgent Need School Trust Fund: The Urgent Need School Trust Fund is established in the Finance and Administration Cabinet for the purpose of assisting school districts that have urgent and critical construction needs. The Urgent Need School Trust Fund shall be administered by the School Facilities Construction Commission. The fund may receive state appropriations, contributions, and grants from any source which shall be credited to the trust fund and invested until needed. All interest earned on the fund shall be retained in the trust fund. Notwithstanding KRS 45.229, moneys in the trust fund shall not lapse, but shall carry forward at the end of each fiscal year."

"Additional Offers of Assistance: Notwithstanding KRS 157.611 to 157.640, 157.650, 157.655, 157.660, or 157.665, the School Facilities Construction Commission is authorized to make an additional \$100,000,000 in offers of assistance during the 2006-2008

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School Facilities Construction Commission

biennium in anticipation of debt service availability during the 2008-2010 biennium. No bonded indebtedness based on the above amount is to be incurred during the 2006-2008 biennium."

GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following changes:

The General Assembly provides General Fund support totaling \$6,329,000 in fiscal year 2007-2008 for seventy-five percent of a full year of debt service for the \$100,000,000 of Offers of Assistance described in Part II.

The General Assembly provides General Fund support totaling \$2,110,000 in fiscal year 2007-2008 for debt service for \$50,000,000 in Additional Offers of Assistance as described in Part II.

The General Assembly provides General Fund Support totaling \$5,000,000 in fiscal year 2007-2008 for the Urgent Need School Trust Fund.

The General Assembly amends Part I, Operating Budget, language provisions as follows:

"Debt Service: Included in the above General Fund appropriation is \$1,688,000 in fiscal year 2006-2007 and \$8,439,000 in fiscal year 2007-2008 for debt service on \$150,000,000 in bonds as set forth in Part II, Capital Projects Budget, of this Act."

"School Facility Revenue: A local board of education may commit an equivalent tax rate not to exceed five cents in addition to the taxes levied in KRS 157.440(1)(b). Receipts from the levy shall be committed to debt service, new facilities, or major renovations of existing school facilities. The tax rate levied by the local board of education under this provision shall be made no later than October 1 of each odd-numbered year and shall not be equalized with state funding. The levy shall be subject to recall."

"Urgent Need School Trust Fund: The Urgent Need School Trust Fund is established in the Finance and Administration Cabinet for the purpose of assisting school districts that have urgent and critical construction needs. The Urgent Need School Trust Fund shall be administered by the School Facilities Construction Commission. The fund may receive state appropriations, contributions, and grants from any source which shall be credited to the trust fund and invested until needed. All interest earned on the fund shall be retained in the trust fund. Notwithstanding KRS 45.229, moneys in the trust fund shall not lapse, but shall carry forward at the end of each fiscal year.

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School Facilities Construction Commission

The Secretary of the Finance and Administration Cabinet, the Commissioner of Education, and the Executive Director of the School Facilities Construction Commission shall jointly establish an Urgent Need School Trust Fund Advisory Committee to develop guidelines for the distribution of funds and to advise the School Facilities Construction Commission on the distribution of funds from this trust fund. Funds may be distributed to local school districts to address anomalies in the existing school construction funding formulas as direct grants, loans, matching funds, additional offers of assistance to address districts' unmet needs, or as equalization funds in situations where school districts have levied additional taxes for school construction purposes. The guidelines developed for distribution of funds from this trust fund shall be developed and presented to the Interim Joint Committee on Appropriations and Revenue and the Interim Joint Committee on Education no later than September 31, 2006. Area Vocational Centers shall be eligible to participate in the Urgent Need School Trust Fund. Included in the above appropriation is \$5,000,000 in fiscal year 2007-2008 for the Urgent Need School Trust Fund that may be distributed after July 1, 2007. In addition, funds authorized in subsections (1) and (6) of this section may be distributed to local school districts based on the guidelines developed by the Urgent Need School Trust Fund Advisory Committee after July 1, 2007."

The General Assembly adds Part I, Operating Budget, language provisions as follows:

"Offers of Assistance: Notwithstanding KRS 157.622, a local school district may accumulate credit, subject to the availability of funds, for its unused state allocation for a period not to exceed eight years."

"Debt Service: Notwithstanding KRS 45.229, moneys appropriated for debt service shall not lapse but shall be credited to the Urgent Need School Trust Fund."

"Administrative Costs: The School Facilities Construction Commission may utilize up to \$300,000 in each fiscal year of the 2006-2008 biennium for administrative purposes."

"School Facilities Evaluation: The Kentucky Department of Education, in partnership with the School Facilities Construction Commission, shall conduct a comprehensive evaluation of the current facilities planning process, the process for categorizing schools for planning and funding purposes, major plant maintenance planning and implementation, the process used to determine unmet school facility needs, and the degree of equity in the distribution of state capital funds. The department shall involve local superintendents, finance officers, facility managers and other local school personnel, consultants who are knowledgeable in school facilities planning and construction, and others as deemed appropriate.

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School Facilities Construction Commission

The evaluation shall consider:

- (a) The feasibility of adding weights for special needs or situations, including but not limited to student growth, inadequate classroom space, student accommodations, health and safety needs, compliance with the Americans with Disabilities Act, school district size, and overall building condition as certified by the Department of Education, in the calculation of unmet needs;
- (b) The adequacy of long-range planning for plant maintenance, procedures for improving long-range planning, and the appropriate level of monitoring by local and state officials;
- (c) Measurable, objective criteria for categorizing schools for local planning purposes and for the distribution of state capital funds;
- (d) A waiver system to accommodate special facility needs;
- (e) The level of technical assistance and training that is necessary to ensure that local school district personnel are knowledgeable of the facility planning process, capital construction funding mechanisms, and long-range planning and examine the most effective methods for providing technical assistance and training; and
- (f) A detailed review of all capital funding sources, and a study of local effort, to include an examination of the individual and cumulative effect of multiple funding sources on the equitable distribution of state capital construction funds and the effects of permitting individual school districts to levy additional taxes for construction purposes based on special or unique circumstances in that school district.

Notwithstanding KRS 157.622, the School Facilities Construction Commission, in cooperation with the Urgent Need School Trust Fund Advisory Committee, shall incorporate the findings and recommendations of this evaluation in determining the 2006 Offers of Assistance to local school districts. The School Facilities Construction Commission is authorized to make the 2006 Offers of Assistance prior to completion of this evaluation if sufficient data and other information is available.

A preliminary report shall be made to the Interim Joint Committee on Appropriations and Revenue no later than September 15, 2006, and a final report, including recommendations for regulatory or statutory change, shall be made no later than September 30, 2006."

"Use of Local District Capital Outlay Funds: Notwithstanding KRS 157.420(4) and (6), a local district may submit a request to the Commissioner of Education to use capital outlay funds for maintenance expenditures or for the purchase of property insurance in fiscal year 2006-2007 and fiscal year 2007-2008 without forfeiture of the district's participation in the School Facilities Construction Commission Program."

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School Facilities Construction Commission

The General Assembly amends the State/Executive Branch Budget Bill, Part II, Capital Budget, to include Bond Funds totaling \$50,000,000 to support Additional Offers of Assistance.

The Governor of the Commonwealth vetoes, in part, the following:

Partial Veto #6 of HB 380 - *"I, Ernie Fletcher, Governor of the Commonwealth of Kentucky, pursuant to the authority granted under Section 88 of the Kentucky Constitution, do hereby veto the following part:*

Page 35, lines 14 through 15, in their entirety.

This part suspends the state law that requires unexpended debt service to be credited to the General Fund, and instead credits unexpended debt service for the School Facilities Construction Commission to the Urgent Need School Trust Fund. I am vetoing this part because the fiscal year 2005-2006 General Fund ending balance enacted by the 2006 General Assembly is dependent upon \$19,616,000 in unexpended debt service to lapse to the credit of the General Fund. The lapsing of unexpended debt service appropriations is required by KRS 45.229, KRS 48.010(13)(b) and KRS 48.720. In addition, House Bill 380 directs the Executive Branch to reduce unspecified General Fund expenditures in the amount of \$38,500,000 in fiscal year 2006-2007 and \$39,500,000 in fiscal year 2007-2008 from the collective appropriations made to the Executive Branch. Finally, House Bill 380 mandates certain expenditures from the General Fund Surplus account in numerous instances without making an appropriation. One of the largest historical contributors to the Commonwealth's ability to accommodate these unbudgeted expenditures is the lapsing of unexpended debt service."

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A - General Government**Capital Budget****School Facilities Construction Commission**

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. CAPITAL PROJECT RECAP BY FUND SOURCE									
Bond Funds				100,000,000	150,000,000	50,000,000			
TOTAL CAPITAL				100,000,000	150,000,000	50,000,000			
II. CAPITAL PROJECTS									
1	School Facilities Construction Commission Reauthorization (\$73,300,000 Bond Funds)								
PRJ3451509									
Bond Funds									
Project Total									
2	Offers of Assistance								
PRJ3451510									
Bond Funds				100,000,000	100,000,000				
Project Total				100,000,000	100,000,000				
3	Urgent Needs School Trust Fund Reauthorization (\$91,536,000 Bond Funds)								
PRJ3451511									
Bond Funds									
Project Total									
4	Additional Offers of Assistance								
PRJ3451508									
Bond Funds					50,000,000	50,000,000			
Project Total					50,000,000	50,000,000			
5	Category 5 School Buildings Reauthorization (\$24,071,600 Bond Funds)								
PRJ3451513									
Bond Funds									
Project Total									
TOTAL CAPITAL				100,000,000	150,000,000	50,000,000			

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A - General Government

Operating Budget

Teachers Retirement System

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	130,799,600	130,799,600		157,326,100	157,326,100		163,323,100	183,323,100	20,000,000
Restricted Funds	8,613,500	8,613,500		9,409,300	9,409,300		10,361,500	10,361,500	
Regular Total Funds	139,413,100	139,413,100		166,735,400	166,735,400		173,684,600	193,684,600	20,000,000
Use of Continuing									
TOTAL FUNDS	139,413,100	139,413,100		166,735,400	166,735,400		173,684,600	193,684,600	20,000,000
II. EXPENDITURE CATEGORY									
Personnel Costs	7,188,100	7,188,100		7,983,900	7,983,900		8,936,100	8,936,100	
Operating Expenses	1,296,700	1,296,700		1,296,700	1,296,700		1,296,700	1,296,700	
Grants, Loans, Benefits	130,799,600	130,799,600		157,326,100	157,326,100		163,323,100	183,323,100	20,000,000
Capital Outlay	128,700	128,700		128,700	128,700		128,700	128,700	
TOTAL EXPENDITURES	139,413,100	139,413,100		166,735,400	166,735,400		173,684,600	193,684,600	20,000,000
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	130,799,600	130,799,600		130,428,400	130,428,400		132,158,400	132,158,400	
Restricted Funds	8,613,500	8,613,500		9,409,300	9,409,300		10,361,500	10,361,500	
Regular Total Funds	139,413,100	139,413,100		139,837,700	139,837,700		142,519,900	142,519,900	
Use of Continuing									
TOTAL BASE LEVEL	139,413,100	139,413,100		139,837,700	139,837,700		142,519,900	142,519,900	
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund				26,897,700	26,897,700		31,164,700	51,164,700	20,000,000
TOTAL ADDITIONAL				26,897,700	26,897,700		31,164,700	51,164,700	20,000,000
V. ADDITIONAL BUDGET ITEMS									
1 GB Teachers' Retirement System - 2006-2008 COLA									
ABR5600003	Provides funds for an additional 0.8% and 0.6% Cost of Living Adjustment for Retirees.								
General Fund				4,312,800	4,312,800		7,865,100	7,865,100	
Project Total				4,312,800	4,312,800		7,865,100	7,865,100	
2 GB Teachers' Retirement System - Medical Insurance Subsidy									
ABR5600009	Provides funds for subsidy for retirees under the age of 65 choosing couple, family or parent plus health insurance coverage.								
General Fund				8,262,300	8,262,300		9,116,400	9,116,400	
Project Total				8,262,300	8,262,300		9,116,400	9,116,400	

A - General Government

Operating Budget

Teachers Retirement System

			Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
			Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
3	GB	Teachers' Retirement System - Supplemental Health Insurance									
ABR5600010		Provides funds for members over the age of 65 choosing couple, family or parent plus health insurance coverage.									
	General Fund					50,000	50,000		50,000	50,000	
	Project Total					50,000	50,000		50,000	50,000	
4	GB	Teachers' Retirement System - Medical Insurance Fund Stabilization									
ABR5600007		Provides funds to cover the cost of health insurance for members.									
	General Fund					8,793,000	8,793,000		14,133,200	14,133,200	
	Project Total					8,793,000	8,793,000		14,133,200	14,133,200	
5	GB	Teachers' Retirement System - State Fund Shortage - FY 2004									
ABR5600011		Provides funds for shortfall in the retirement match in fiscal year 2004.									
	General Fund					3,650,800	3,650,800				
	Project Total					3,650,800	3,650,800				
6	GB	Teachers' Retirement System - Medical Insurance Subsidy									
ABR5600012		Provides funds for shortfall in the subsidy for retirees under age 65 choosing family, parent plus, or couple health insurance plans. Shortfall was for the 2004-2006 fiscal biennium.									
	General Fund					1,828,800	1,828,800				
	Project Total					1,828,800	1,828,800				
7	GB	Teachers' Retirement System - Supplemental Funding									
ABR5600013		Provides funds to supplement pension system.									
	General Fund									20,000,000	20,000,000
	Project Total									20,000,000	20,000,000
TOTAL ADDITIONAL						26,897,700	26,897,700		31,164,700	51,164,700	20,000,000

**Fiscal Biennium 2006-2008
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Teachers' Retirement System

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part I, Operating Budget includes language provisions that direct:

"State Retirement Obligations: Notwithstanding KRS 161.550, General Fund moneys are appropriated to comply with the obligations of the state under the Teachers' Retirement System statutes as provided in KRS 161.220 to 161.716."

"Administrative Costs: In accordance with KRS 161.420, in each fiscal year an amount not greater than four percent of the receipts of the state accumulation fund shall be set aside into the expense fund or expended for the administration of the retirement system. No General Fund moneys are provided in fiscal year 2006-2007 or fiscal year 2007-2008 for the cost of administration."

"Amortization of Sick Leave: Included in the above General Fund appropriation is \$4,293,800 in fiscal year 2006-2007 and \$9,211,000 in fiscal year 2007-2008 to provide the cost of amortizing the requirements of KRS 161.155 (sick leave) for members retiring during the 2006-2008 fiscal biennium."

"Highly Skilled Educators' Retirement Benefits: Salary supplements received by persons selected as highly skilled educators on or after July 1, 2000, shall not be included in the total salary compensation for any retirement benefits to which the employee may be entitled."

"Targeted Ad Hoc Cost-of-Living Increase for Retirees: Included in the above General Fund appropriation is \$4,312,800 in fiscal year 2006-2007 and \$7,865,100 in fiscal year 2007-2008 to enable cost-of-living adjustments effective July 1, 2006, to the annuities of those retirees most negatively affected by increases in the Consumer Price Index since their dates of retirement. The Teachers' Retirement System is authorized to devise a policy for calculation and distribution of the cost-of-living adjustments that takes into account the relative needs of those persons retired for the longest periods of time as well as the most effective and efficient administrative procedure for effecting the adjustments."

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Teachers' Retirement System

"Supplemental Health Insurance Funding: Included in the above General Fund appropriation is \$50,000 in each fiscal year to enable the retirement system to provide a subsidy for those retired state members over age 65 that insure their spouses under age 65 through the state health insurance plan. The amount of the subsidy for those over age 65 shall not exceed the amount of the subsidy for members under age 65 that choose couple, family, or parent plus coverage."

"State Medical Insurance Fund Stabilization Contribution: Notwithstanding KRS 161.420 and 161.550, included in the above General Fund appropriation is \$8,793,000 in fiscal year 2006-2007 and \$14,133,200 in fiscal year 2007-2008 to amortize the cost of the State Medical Insurance Fund Stabilization Contribution."

GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following changes:

The General Assembly does not concur with the following language provision:

"Targeted Ad Hoc Cost-of-Living Increase for Retirees: Included in the above General Fund appropriation is \$4,312,800 in fiscal year 2006-2007 and \$7,865,100 in fiscal year 2007-2008 to enable cost-of-living adjustments effective July 1, 2006, to the annuities of those retirees most negatively affected by increases in the Consumer Price Index since their dates of retirement. The Teachers' Retirement System is authorized to devise a policy for calculation and distribution of the cost-of-living adjustments that takes into account the relative needs of those persons retired for the longest periods of time as well as the most effective and efficient administrative procedure for effecting the adjustments."

The General Assembly provides General Fund support totaling \$20,000,000 in fiscal year 2007-2008 to supplement the Kentucky Teachers' Retirement System pension fund.

The General Assembly amends the State/Executive Branch Budget Bill, Part I, Operating Budget, to amend the following language provision:

"Supplemental Health Insurance Funding: Notwithstanding KRS 161.675(4)(a) included in the above General Fund appropriation is \$50,000 in each fiscal year to enable the retirement system to provide a subsidy from July 1, 2006, through December 31, 2007, for those retired state members over age 65 that insure their spouses under age 65 through the state health insurance plan. The amount of

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Teachers' Retirement System

the subsidy for those over age 65 shall not exceed the amount of the subsidy for members under age 65 that choose couple, family, or parent plus coverage. The spousal subsidy is not subject to KRS 161.714."

"State Medical Insurance Fund Stabilization Contribution: Notwithstanding KRS 161.420 and 161.550, a portion of the state employer contribution in a sufficient amount shall be allocated to the Teachers' Retirement System Medical Insurance Fund instead of the State Accumulation Fund. Also included in the above General Fund appropriation is \$14,133,200 in fiscal year 2007-2008 to amortize the cost of the State Medical Insurance Fund Stabilization Contribution with the remainder to be amortized under the schedule set forth in KRS 161.553."

The General Assembly amends the State/Executive Branch Budget Bill, Part I, Operating Budget, to include the following language provisions:

"Dependent Subsidy for Retirees under age 65: Notwithstanding KRS 161.675(4)(a), from July 1, 2006, through December 31, 2007, for all retirees under the age of 65 who participate in the Kentucky Group Health Insurance Program through the Kentucky Teachers' Retirement System, the Kentucky Teachers' Retirement System shall pay the same dependent subsidy that Executive Branch agencies pay for their active employees who have similar coverage. The dependent subsidy is not subject to KRS 161.714."

"Cost-of-Living Increase for Retirees: Included in the above General Fund appropriation is \$4,312,800 in fiscal year 2006-2007 and \$7,865,100 in fiscal year 2007-2008 to provide, when combined with the annual one and one-half percent retirement allowance increase as provided for under KRS 161.620, a total increase in retirement allowances of eligible system members and beneficiaries of two and three-tenths percent in fiscal year 2006-2007 and an additional two and one-tenths in fiscal year 2007-2008."

"Ad Hoc State Contribution: Included in the above General Fund appropriation is \$12,974,100 in fiscal year 2006-2007 and \$29,444,100 in fiscal year 2007-2008 for an ad hoc contribution to the State Accumulation Fund."

The General Assembly amends the State/Executive Branch Budget Bill, Part II, Capital Budget, to include reauthorization of \$2,000,000 in Restricted Funds for the KTRS Pension Management System.

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A - General Government

Capital Budget

Teachers Retirement System

Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference

I. CAPITAL PROJECT RECAP BY FUND SOURCE

Restricted Funds

TOTAL CAPITAL

II. CAPITAL PROJECTS

1 KTRS Pension Management System (Reauthorization - \$2,000,000 Restricted Funds)

PRJ5601461

Restricted Funds

Project Total

TOTAL CAPITAL

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A - General Government

Operating Budget

ANOC-Judgments

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	3,200,000	200,000	(3,000,000)						
Regular Total Funds	3,200,000	200,000	(3,000,000)						
Use of Continuing	211,300	211,300							
TOTAL FUNDS	3,411,300	411,300	(3,000,000)						
II. EXPENDITURE CATEGORY									
Operating Expenses	3,411,300	411,300	(3,000,000)						
TOTAL EXPENDITURES	3,411,300	411,300	(3,000,000)						
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	200,000	200,000							
Regular Total Funds	200,000	200,000							
Use of Continuing	211,300	211,300							
TOTAL BASE LEVEL	411,300	411,300							
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund	3,000,000		(3,000,000)						
TOTAL ADDITIONAL	3,000,000		(3,000,000)						
V. ADDITIONAL BUDGET ITEMS									
1 CONT Judgments- Current Year Appropriation									
ABR760A0001 provide funds in the current year to meet obligations.									
General Fund	3,000,000		(3,000,000)						
Project Total	3,000,000		(3,000,000)						
TOTAL ADDITIONAL	3,000,000		(3,000,000)						

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ANOC - Judgments

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part I, Operating Budget includes a language provision that direct:

"Payment of Judgments and Carry Forward of General Fund Appropriation Balance: The above appropriation is for the payment of judgments as may be rendered against the Commonwealth by courts and orders of the State Personnel Board and, where applicable, shall be subject to the provisions of KRS Chapter 45, and for the payment of medical malpractice judgments against the University of Kentucky and the University of Louisville in accordance with KRS 164.892 and 164.941. Notwithstanding KRS 45.229, any remaining appropriation in the Judgments account at the end of fiscal year 2005-2006 or fiscal year 2006-2007 shall not lapse but shall be carried forward."

GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following change:

The General Assembly does not provide funding for Judgments.

A - General Government

Operating Budget

Appropriations Not Otherwise Classified (ANOC)

	Fiscal Year 2005-2006			Fiscal Year 2006-2007			Fiscal Year 2007-2008		
	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference	Branch Budget	General Assembly	Difference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	11,542,500	11,542,500		11,417,500	3,917,500	(7,500,000)	11,417,500	3,917,500	(7,500,000)
Regular Total Funds	11,542,500	11,542,500		11,417,500	3,917,500	(7,500,000)	11,417,500	3,917,500	(7,500,000)
Use of Continuing									
TOTAL FUNDS	11,542,500	11,542,500		11,417,500	3,917,500	(7,500,000)	11,417,500	3,917,500	(7,500,000)
II. EXPENDITURE CATEGORY									
Personnel Costs	7,785,000	7,785,000		7,785,000	285,000	(7,500,000)	7,785,000	285,000	(7,500,000)
Operating Expenses	3,755,000	3,755,000		3,630,000	3,630,000		3,630,000	3,630,000	
Grants, Loans, Benefits	2,500	2,500		2,500	2,500		2,500	2,500	
TOTAL EXPENDITURES	11,542,500	11,542,500		11,417,500	3,917,500	(7,500,000)	11,417,500	3,917,500	(7,500,000)
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	11,542,500	11,542,500		11,417,500	3,917,500	(7,500,000)	11,417,500	3,917,500	(7,500,000)
Regular Total Funds	11,542,500	11,542,500		11,417,500	3,917,500	(7,500,000)	11,417,500	3,917,500	(7,500,000)
Use of Continuing									
TOTAL BASE LEVEL	11,542,500	11,542,500		11,417,500	3,917,500	(7,500,000)	11,417,500	3,917,500	(7,500,000)

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ANOC

BRANCH BUDGET

The State/Executive Branch Budget Bill continues services and statutory programs in fiscal biennium 2006-2008 based upon extending the reduced fiscal year 2005-2006 funding level as revised by the Governor's fiscal year 2005-2006 Budget Stability Initiative. This initiative is projected to contribute \$142,500,000 to the General Fund during fiscal year 2005-2006.

The State/Executive Branch Budget Bill, Part IV, State Salary/Compensation and Employment Policy addresses increments, retirement, health insurance, and personnel complement.

The State/Executive Branch Budget Bill, Part I, Operating Budget includes language provisions that direct:

"Funding Sources for Appropriations Not Otherwise Classified: Funds required to pay the costs of items included within the Appropriations Not Otherwise Classified are appropriated, and any required expenditure over the above amounts is to be paid first from the General Fund Surplus Account (KRS 48.700), if available, or from any available balance in either the Judgments budget unit appropriation or the Budget Reserve Trust Fund Account (KRS 48.705), subject to the conditions and procedures provided in this Act. The above appropriation is for the payment of: Attorney General Expense, Board of Claims Award, Guardian Ad Litem, Prior Year Claims, Unredeemed Checks Refunded, Involuntary Commitments - ICF/MR, Frankfort in Lieu of Taxes, Frankfort Cemetery, Police Officers and Firefighters Survivor Benefits, Medical Malpractice Liability Insurance Reimbursement, and Blanket Employee Bonds."

"Repayment of Awards or Judgments: Funds are appropriated from the General Fund for the repayment of awards or judgments made by the Board of Claims against departments, boards, commissions, and other agencies maintained by appropriations out of the General Fund. However, awards under \$5,000 shall be paid from funds available for the operations of the agency."

"Guardian Ad Litem Fees: Included in the above appropriation is funding for fees to be paid to each guardian ad litem appointed by the court pursuant to KRS 311.732. The fee shall be fixed by the court and shall not exceed \$500."

"Reissuance of Uncashed Checks: Checks written by the State Treasurer and not cashed within the statutory period may be presented to the State Treasurer for reissuance in accordance with KRS 41.370."

"Police Officers and Firefighters Survivors' Benefits: Funds are appropriated for payment of benefits for state and local police officers and firefighters in accordance with KRS 61.315 and 95A.070."

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ANOC

The State/Executive Branch Budget Bill, Part I, Operating Budget provides expenditures by program within the Appropriations Not Otherwise Classified appropriation units as follows:

<u>Program</u>	<u>Fiscal Year 2006-2007</u>	<u>Fiscal Year 2007-2008</u>
Attorney General Expense	\$ 225,000	\$ 225,000
Board of Claims Awards	1,000,000	1,000,000
Guardian Ad Litem	7,500,000	7,500,000
Prior Year Claims	400,000	400,000
Unredeemed Checks	1,500,000	1,500,000
Involuntary Commitments	60,000	60,000
Frankfort In Lieu of Taxes	195,000	195,000
Frankfort Cemetery	2,500	2,500
Police & Firefighters Ins.	250,000	250,000
Medical Malpractice Ins. Reim.	185,000	185,000
Blanket Employee Bonds	<u>100,000</u>	<u>100,000</u>
Total Miscellaneous Appropriations	\$11,417,500	\$11,417,500

GENERAL ASSEMBLY

The General Assembly concurs with the Branch with the following change:

The General Assembly does not provide funding for the Guardian Ad Litem program.

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